

Page 1

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of: )  
 ) File No. FL-03930-A  
PALM HOUSE, LLC )

WITNESS: Robert Viers Matthews

PAGES: 1 through 348

PLACE: Securities and Exchange Commission  
801 Brickell Avenue, Suite 1800  
Miami, Florida 33131

DATE: Tuesday, January 31, 2017

The above entitled matter came on for hearing, pursuant to notice, at 9:12 a.m.

Diversified Reporting Services, Inc.

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<p style="text-align: center;">Page 2</p> <p>1 APPEARANCES:</p> <p>2</p> <p>3 On behalf of the Securities and Exchange Commission:</p> <p>4     SHELLY-ANN SPRINGER CHARLES, ESQ.</p> <p>5     ERIC BUSTO, ESQ.</p> <p>6     TIMOTHY J. GALDENCIO, ACCOUNTANT</p> <p>7     CRYSTAL IVORY, ACCOUNTANT</p> <p>8     Securities and Exchange Commission</p> <p>9     Division of Enforcement</p> <p>10    801 Brickell Avenue, Suite 1800</p> <p>11    Miami, Florida 33131</p> <p>12    (305) 982-6300</p> <p>13</p> <p>14 On behalf of the Witness:</p> <p>15    BRUCE E. REINHART, ESQ.</p> <p>16    McDonald Hopkins, LLC</p> <p>17    505 South Flagler Drive</p> <p>18    Suite 300</p> <p>19    West Palm Beach, Florida 33401</p> <p>20    (561) 472-2970</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: center;">Page 4</p> <p>1     C O N T E N T S (CONT.)</p> <p>2</p> <p>3     EXHIBITS:   DESCRIPTION                   IDENTIFIED</p> <p>4        161    Emails                           279</p> <p>5        162    Emails, 7/13                   282</p> <p>6        163    Handwritten Notes               285</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p style="text-align: center;">Page 3</p> <p>1     C O N T E N T S</p> <p>2</p> <p>3     WITNESS:                                   EXAMINATION</p> <p>4     Robert V. Matthews                        10</p> <p>5</p> <p>6     EXHIBITS:   DESCRIPTION                   IDENTIFIED</p> <p>7        142    Subpoena, 9/12/16               10</p> <p>8        143    Subpoena, 2/24/15               11</p> <p>9        144    Subpoena, 4/14/15               11</p> <p>10      145    Subpoena, 2/12/15               14</p> <p>11      146    Subpoena, 4/13/15               15</p> <p>12      147    Subpoena, 4/14/15               15</p> <p>13      148    Background Questionnaire         21</p> <p>14      149    Palm House Documents             29</p> <p>15      150    Email, 11/20/12                   42</p> <p>16      151    Email, 8/30/12                   69</p> <p>17      152    Email, 1/8/13                   74</p> <p>18      153    Email, 8/14                       76</p> <p>19      154    Email, 9/13/14                   79</p> <p>20      155    Email, 5/13/15                   81</p> <p>21      156    Email, 11/25/12                 125</p> <p>22      157    Emails                             168</p> <p>23      158    Emails, 9/14                     180</p> <p>24      159    SEC-LAUDANONP-0001716 - 1719   197</p> <p>25      160    Quick Reports                     248</p>	<p style="text-align: center;">Page 5</p> <p>1     P R O C E E D I N G S</p> <p>2</p> <p>3     MS. SPRINGER-CHARLES: We are on the</p> <p>4     record at 9:12 a.m. on January 31st, 2017. We're</p> <p>5     located in the offices of the Miami regional</p> <p>6     office of the U.S. SEC in Miami, Florida. My name</p> <p>7     is Shelly-Ann Springer-Charles. With me are Tim</p> <p>8     Galdencio and Crystal Ivory, who are staff</p> <p>9     accountants. A little bit later I think Eric</p> <p>10    Busto, who's an Assistant Regional Director here,</p> <p>11    will be joining us. Eric, Tim, Crystal, and I are</p> <p>12    members of the staff of the Enforcement Division</p> <p>13    of the Securities and Exchange Commission.</p> <p>14    (Mr. Busto enters the room.)</p> <p>15    MS. SPRINGER-CHARLES: Let's go off the</p> <p>16    record.</p> <p>17    (A brief recess was taken.)</p> <p>18    MS. SPRINGER-CHARLES: We're back on the</p> <p>19    record.</p> <p>20    Mr. Matthews, every time I go off the</p> <p>21    record and I come back on, I ask this question:</p> <p>22    Did you and any member of the staff have any</p> <p>23    substantive discussions about this matter while we</p> <p>24    were off the record?</p> <p>25    MR. MATTHEWS: No.</p> <p>25    MS. SPRINGER-CHARLES: Okay.</p>

Page 6	Page 8
<p>1        As I was saying, Eric, Tim, Crystal, and  2        I are members of the staff of the Enforcement  3        Division of the Securities and Exchange  4        Commission. We're officers of the Commission for  5        the purposes of this proceeding.</p> <p>6        We will swear the witness now. Please  7        raise your right hand.</p> <p>8        Do you swear or affirm to tell the  9        truth, the whole truth, and nothing but the truth?</p> <p>10      MR. MATTHEWS: I do.</p> <p>11      Whereupon,</p> <p>12      ROBERT VIVERS MATTHEWS  13      was called as a witness and, having been first  14      duly sworn, was examined and testified as follows:</p> <p>15      MS. SPRINGER-CHARLES: Please state your  16      full name and spell your name for the record.</p> <p>17      THE WITNESS: Robert veers Matthews.</p> <p>18      MS. SPRINGER-CHARLES: Spell your full  19      name.</p> <p>20      THE WITNESS: R-O-B-E-R-T, V-I-E-R-S,  21      M-A-T-T-H-E-W-S.</p> <p>22      MS. SPRINGER-CHARLES: This is an  23      investigation by the United States Securities and  24      Exchange Commission in the matter of Palm House,  25      LLC to determine whether there have been</p>	<p>1        your firm's name, your firm's address, and its  2        telephone number.</p> <p>3        MR. REINHART: Yes. Good morning. Bruce  4        Reinhart from the firm of McDonald Hopkins, LLC.  5        We're located at 505 South Flagler Drive, Suite  6        300 in West Palm Beach. Phone number, (561)  7        472-2970.</p> <p>8        MS. SPRINGER-CHARLES: Mr. Reinhart, are  9        you representing Mr. Matthews as his counsel  10       today?</p> <p>11       MR. REINHART: I am.</p> <p>12       MS. SPRINGER-CHARLES: Do you represent  13        anyone else with regard to these proceedings?</p> <p>14       MR. REINHART: Yes. We represent a  15        number of the Palm House related entities. I  16        believe it's Palm House, LLC and 160 Royal Palm.</p> <p>17       MS. SPRINGER-CHARLES: I'll still give  18        this disclaimer. You may be represented by  19        counsel who also represents other persons or  20        entities involved in the Commission's  21        investigation. This multiple representation,  22        however, presents a potential conflict of interest  23        if one client's are or may be adverse to  24        another's.</p> <p>25        If you're represented by counsel who</p>
Page 7	Page 9
<p>1        violations of certain provisions of the federal  2        securities laws; however, the facts developed in  3        this investigation might constitute violations of  4        other federal or state, civil or criminal laws.</p> <p>5        Prior to the opening of the record, you  6        were provided with a copy of the Formal  7        Investigation and the Supplemental Formal Order of  8        Investigation. They will be available for your  9        examination during the course of this proceeding.</p> <p>10       Also, prior to the opening of the  11       record, you were provided with a copy of the  12       Commission's Supplemental Information Form 1662,  13       which has been marked as Palm House Exhibit 1.</p> <p>14       Mr. Matthews, have you had the  15       opportunity to read Palm House Exhibit 1, which  16       was the Form 1662 that we showed you?</p> <p>17       THE WITNESS: Yes.</p> <p>18       MS. SPRINGER-CHARLES: Do you have any  19       questions on Palm House Exhibit No. 1?</p> <p>20       THE WITNESS: No.</p> <p>21       MS. SPRINGER-CHARLES: Mr. Matthews, are  22       you represented in this matter by counsel?</p> <p>23       THE WITNESS: Yes.</p> <p>24       MS. SPRINGER-CHARLES: Would Counsel  25       please identify yourself and state your full name,</p>	<p>1        also represents other persons or entities involved  2        in the investigation, the Commission will assume  3        that you and counsel have discussed and resolved  4        all issues concerning possible conflicts of  5        interest. The choice of counsel and the  6        responsibility of that choice is yours.</p> <p>7        But, of course, those entities are  8        entities that are related to you, correct?</p> <p>9        THE WITNESS: Yes.</p> <p>10       MR. REINHART: And I'm sorry, just to be  11        clear, I believe we also represent Mr. Matthews'  12        wife and a couple of other entities, but I can  13        represent to you and to the Commission that we've  14        discussed conflict of issues with all of the  15        clients and corporate waivers have been obtained.</p> <p>16       MS. SPRINGER-CHARLES: Who are the other  17        entities that you represent?</p> <p>18       MR. REINHART: Bonaventure 22, I think,  19        was someone that you had served -- or at least  20        requested information about. I'd have to see the  21        list of entities.</p> <p>22       MS. SPRINGER-CHARLES: How about Palm  23        House PB, LLC, do you represent that entity?</p> <p>24       MR. REINHART: Palm House PB -- no, I  25        don't. We do not. And nor do we represent Palm</p>

<p style="text-align: center;">Page 10</p> <p>1 House, LLLP.  2 MS. SPRINGER-CHARLES: Okay.  3 THE WITNESS: May I speak?  4 MS. SPRINGER-CHARLES: Sure.  5 THE WITNESS: To my lawyer real quick?  6 MS. SPRINGER-CHARLES: Let's go off the  7 record.  8 (A brief recess was taken.)  9 MS. SPRINGER-CHARLES: Back on the  10 record.  11 Did you have any substantive discussions  12 with any member of the staff while we were off the  13 record, Mr. Matthews?  14 THE WITNESS: No.  15 MS. SPRINGER-CHARLES: I'm going to ask  16 the Court Reporter to mark a copy of this  17 subpoena, dated September 12th, 2016 to Robert  18 Matthews as Exhibit No. 142.  19 (SEC Exhibit No. 142 was  20 marked for identification.)  21 EXAMINATION  22 BY MS. SPRINGER-CHARLES:  23 <b>Q Mr. Matthews, I'm showing you a copy of  a subpoena, dated September 12th, 2016 to you,  directed to your attention. It's been marked as</b></p>	<p style="text-align: center;">Page 12</p> <p>1 expert to come in and a take everything off of my  2 computer. I don't know his name.  3 <b>Q Okay.</b>  4 <b>Were you at all involved in searching  for documents in order to respond to the  subpoenas?</b>  5 A Yeah. I mean, I looked through papers  6 and things that I had to see what was there. Most  7 everything that I had was on a computer. There  8 was a thank you note, and I forgot that I found a  9 thank you note later on, that I believe I had a  10 copy of a thank you note I sent to Joe for the  11 house loan, and I don't know if I ever -- I saw  12 one somewhere. I don't know if I ever --  13 MR. REINHART: Focus on the question.  14 Talk about the steps we went through to try to  15 find documents.  16 THE WITNESS: We went through all the  17 files. We went through all the computer. We did  18 like everything. I mean, it should've been like  19 thousands of emails.  20 BY MS. SPRINGER-CHARLES:  21 <b>Q Where were the paper files held?</b>  22 A There's paper files that were in the  23 office of Palm House, which the receiver -- I went</p>
<p style="text-align: center;">Page 11</p> <p>1 <b>Exhibit 142.</b>  2 Is this a copy of the subpoena you are  3 appearing pursuant to here today?  4 A I believe so, yes.  5 MS. SPRINGER-CHARLES: I'm going to ask  6 the Court Reporter to mark these next two  7 subpoenas. They're dated February 24th, 2015 to  8 Robert Matthews, and April 14th, 2015 to Robert  9 Matthews as Exhibits 143 and 144.  10 (SEC Exhibit Nos. 143 and 144  11 were marked for  12 identification.)  13 BY MS. SPRINGER-CHARLES:  14 <b>Q Mr. Matthews, I'm showing you what's  been marked as Exhibits No. 143 and 144. Those  subpoenas called for the production of certain  documents.</b>  15 Have you tendered to the staff all  16 documents called for by those subpoenas? And you  17 can take your time to look through the subpoenas.  18 A Yes.  19 Q Can you please describe the search that  20 was conducted for the subpoenaed documents and  21 state who conducted that search.  22 A I believe my lawyer hired a computer</p>	<p style="text-align: center;">Page 13</p> <p>1 up there. I looked through. He let me in, and I  2 went up there and looked at it. And just papers  3 that were -- I had some files at my home.  4 <b>Q And what the computers, how many  computers did you have to --</b>  5 A I think I listed them on that sheet.  6 There was one at my house, and there was one in  7 the office.  8 <b>Q Okay.</b>  9 <b>You've withheld certain documents called  for by the subpoena based on a claim of privilege,  correct?</b>  10 THE WITNESS: Have I? I don't know.  11 Oh, I guess so, yeah. You mean  12 lawyer/client?  13 BY MS. SPRINGER-CHARLES:  14 <b>Q Yes, lawyer/client privilege.</b>  15 A Yeah. Sorry. Yes.  16 <b>Q Okay.</b>  17 <b>Any documents called for by the subpoena  not produced for any reason, other than privilege?</b>  18 A I'm sorry. Could you say it again?  19 Q Were any documents called for by the  20 subpoenas, Exhibits 143 and 144, not produced for  21 any reason, other than privilege?</p>

<p style="text-align: right;">Page 14</p> <p>1 A No. No. Everything was produced.</p> <p>2 Q Do you know of any documents responsive</p> <p>3 to these subpoenas that were not produced that</p> <p>4 were in your possession at a prior time or that</p> <p>5 were lost, destroyed, or otherwise disposed of?</p> <p>6 A There could be documents that were lost.</p> <p>7 I don't know if they're lost, but there could be.</p> <p>8 Q Other than you, the computer expert, and</p> <p>9 your attorneys, was anyone else involved in</p> <p>10 helping you to conduct the search for the subpoena</p> <p>11 documents?</p> <p>12 A No.</p> <p>13 Q Okay.</p> <p>14 MS. SPRINGER-CHARLES: I'll ask the</p> <p>15 Court Reporter to mark a copy of this February</p> <p>16 12th, 2015 subpoena to Palm House care of the</p> <p>17 company corporation as Exhibit No. 145.</p> <p>18 (SEC Exhibit No. 145 was</p> <p>19 marked for identification.)</p> <p>20 BY MS. SPRINGER-CHARLES:</p> <p>21 Q Mr. Matthews, I'm showing you what's</p> <p>22 been marked as Exhibit No. 145.</p> <p>23 My only question here is: Did you</p> <p>24 receive this subpoena? I believe this is the</p> <p>25 first subpoena that I sent to the entity Palm</p>	<p style="text-align: right;">Page 16</p> <p>1 LLC, as opposed to the earlier ones that were</p> <p>2 directed to you personally. And I'm going to go</p> <p>3 through the same questions that we asked before</p> <p>4 about the subpoenas that were directed to you.</p> <p>5 Have you tendered to the staff all</p> <p>6 documents called for by Exhibits 146 and 147?</p> <p>7 MR. REINHART: I'm sorry. Before you</p> <p>8 answer. Can I just clarify? To clarify the scope</p> <p>9 of his testimony today, is he also giving</p> <p>10 testimony today as the representative of the</p> <p>11 entities, or he's simply in his individual</p> <p>12 capacity?</p> <p>13 MS. SPRINGER-CHARLES: In his individual</p> <p>14 capacity today, but I will be asking questions</p> <p>15 about then entities, as well.</p> <p>16 MR. REINHART: No. I know you'll</p> <p>17 probably be asking questions about the entities</p> <p>18 that fall within his knowledge in his individual</p> <p>19 capacity, but I think you're going to be asking</p> <p>20 him questions about the entities' responses to the</p> <p>21 subpoenas. That's really not him testifying in</p> <p>22 his individual capacity. That's really him</p> <p>23 testifying as the corporate representative, and</p> <p>24 that's why I want to clarify if that's your</p> <p>25 intention today.</p>
<p style="text-align: right;">Page 15</p> <p>1 <b>House, LLC.</b></p> <p>2 A I don't know. I thought I only had one</p> <p>3 received – I mean, I thought I only had one, so</p> <p>4 when you showed me four, I was already a little</p> <p>5 bit confused, but I have no idea. I assume I got</p> <p>6 it, if my lawyer got it.</p> <p>7 Q Well, it was directed to the registered</p> <p>8 agent for that entity. I'm just trying to confirm</p> <p>9 whether or not you --</p> <p>10 A If it went to the registered agent, they</p> <p>11 usually would send me everything, so I'm sure I</p> <p>12 got it.</p> <p>13 Q Okay.</p> <p>14 MS. SPRINGER-CHARLES: I'll ask the</p> <p>15 Court Reporter to mark a copy of these next two</p> <p>16 subpoenas that are dated April 13th, 2015 and</p> <p>17 April 14th, 2015 to Palm House, LLC, care of Mr.</p> <p>18 Reinhart as Exhibits No. 146 and 147.</p> <p>19 (SEC Exhibit Nos. 146 and 147</p> <p>20 were marked for</p> <p>21 identification.)</p> <p>22 BY MS. SPRINGER-CHARLES:</p> <p>23 Q Mr. Matthews, I'm showing you what's</p> <p>24 been marked as Exhibits 146 and 147. These</p> <p>25 subpoenas this time are directed to Palm House,</p>	<p style="text-align: right;">Page 17</p> <p>1 MS. SPRINGER-CHARLES: Well, as it</p> <p>2 relates to these subpoenas, I am, particularly as</p> <p>3 it relates to the subpoenas that were directed to</p> <p>4 Palm House, LLC.</p> <p>5 MR. REINHART: Okay. I don't have a</p> <p>6 problem with it, because I think it'll just speed</p> <p>7 things along, but I just wanted to make sure. If</p> <p>8 we can just be clear when you're questioning him</p> <p>9 about being in his individual capacity, as opposed</p> <p>10 to speaking on behalf of the entity, that will be</p> <p>11 helpful to me.</p> <p>12 MS. SPRINGER-CHARLES: Okay.</p> <p>13 MR. REINHART: Okay. Thank you.</p> <p>14 So the question was – I'm sorry. Go</p> <p>15 ahead. As to 146 and 147.</p> <p>16 BY MS. SPRINGER-CHARLES:</p> <p>17 Q Have you tendered to the staff all</p> <p>18 documents called for by Exhibits 146 and 147?</p> <p>19 A Yes.</p> <p>20 Q Can you please describe the search that</p> <p>21 was conducted for the subpoena documents and state</p> <p>22 who conducted that search?</p> <p>23 A The same as before, the computer expert,</p> <p>24 and I looked at files.</p> <p>25 Q Again, you've withheld documents based</p>

<p style="text-align: center;">Page 18</p> <p>1      <b>on a claim of privilege, correct?</b></p> <p>2      A    Correct.</p> <p>3      Q    <b>Were any of the documents called for by</b></p> <p>4      <b>the subpoena not produced for any reason, other</b></p> <p>5      <b>than that privilege?</b></p> <p>6      A    No.</p> <p>7      Q    <b>Do you know of any documents that were</b></p> <p>8      <b>responsive to these subpoenas, but not provided</b></p> <p>9      <b>that were in your possession at a prior time or</b></p> <p>10     <b>that were lost, destroyed, or otherwise disposed</b></p> <p>11     <b>of?</b></p> <p>12     A    No.</p> <p>13     Q    <b>Mr. Matthews, is there any mental or</b></p> <p>14     <b>physical reason that you cannot testify accurately</b></p> <p>15     <b>and truthfully in this investigation?</b></p> <p>16     A    No.</p> <p>17     Q    <b>Are you presently on any drugs or</b></p> <p>18     <b>medications that could cause you to be unable to</b></p> <p>19     <b>testify accurately and truthfully in this matter?</b></p> <p>20     A    No.</p> <p>21     Q    <b>Let me briefly explain the procedure</b></p> <p>22     <b>we'll follow today. We will be asking you</b></p> <p>23     <b>questions. At any time if you want to take a</b></p> <p>24     <b>short break to use the bathroom or drink some</b></p> <p>25     <b>water, feel free to tell us, and we will</b></p>	<p style="text-align: center;">Page 20</p> <p>1      Q    During the course of your testimony</p> <p>2      today I'm going to ask you questions about things</p> <p>3      that happened or may have happened in the past.</p> <p>4      Obviously, time has gone by since those events,</p> <p>5      and you are likely to have a better and more</p> <p>6      complete memory of some events than others.</p> <p>7      In answering a question about these</p> <p>8      events, however, you should tell me about all of</p> <p>9      your memories or recollections that are responsive</p> <p>10     to the question, not just those that are specific</p> <p>11     or perfectly clear or those of which you are one</p> <p>12     hundred percent sure.</p> <p>13     I'm asking you also for vague memories,</p> <p>14     general memories, cloudy memories, and/or memories</p> <p>15     of which you are less than one hundred percent</p> <p>16     certain. In other words, I'm asking you for any</p> <p>17     responsive recollection whatsoever you may have,</p> <p>18     however, incomplete or uncertain or vague or</p> <p>19     nonspecific it may be. We can then sort out which</p> <p>20     memories are clear and certain and which are less</p> <p>21     clear and less certain.</p> <p>22     Do you understand this?</p> <p>23     A    Yes.</p> <p>24     Q    Therefore, if you answer, I don't recall</p> <p>25     or I don't remember or I forget, I will assume</p>
<p style="text-align: center;">Page 19</p> <p>1      accommodate you.</p> <p>2      Also, the Court Reporter transcribes</p> <p>3      these proceedings and will create a transcript of</p> <p>4      your testimony at the end.</p> <p>5      During your testimony, any member of the</p> <p>6      staff may ask a question or a series of questions.</p> <p>7      Please allow the staff to complete the question</p> <p>8      before responding. If we talk over one another,</p> <p>9      the record of testimony will not be clear.</p> <p>10     If you do not understand a question,</p> <p>11     please let us know that, so that we can try to</p> <p>12     clarify the question for you.</p> <p>13     Please make sure to answer my questions</p> <p>14     verbally because the Court Reporter cannot pick up</p> <p>15     nodding or any other gestures.</p> <p>16     Do you understand that?</p> <p>17     A    Yes.</p> <p>18     Q    You may tell me at any time if you'd</p> <p>19     like to change or modify a previous answer.</p> <p>20     I want to inform you that we do not have</p> <p>21     conversations off the record. When we go off the</p> <p>22     record and talk, I will summarize what we've</p> <p>23     talked about when we go back on the record.</p> <p>24     Do you understand?</p> <p>25     A    Yes.</p>	<p style="text-align: center;">Page 21</p> <p>1      that you have no memory or recollection whatsoever</p> <p>2      that is responsive to the question asked, not even</p> <p>3      fuzzy or less than crystal clear memories. Do you</p> <p>4      understand that?</p> <p>5      A    Yes.</p> <p>6      Q    It may be that in reviewing certain</p> <p>7      documents refreshes your recollection as to the</p> <p>8      events you're questioned about. In such a case,</p> <p>9      I'm asking for your testimony on everything that</p> <p>10     is responsive to the question, not just clear or</p> <p>11     specific recollections. Do you understand that?</p> <p>12     A    Yes.</p> <p>13     MS. SPRINGER-CHARLES: I'll ask the</p> <p>14     Court Reporter to mark a copy of this completed</p> <p>15     background questionnaire of Robert Matthews as</p> <p>16     Exhibit No. 148.</p> <p>17     (SEC Exhibit No. 148 was</p> <p>18     marked for identification.)</p> <p>19     BY MS. SPRINGER-CHARLES:</p> <p>20     Q    Mr. Matthews, I'm showing you what's</p> <p>21     been marked as Exhibit No. 148.</p> <p>22     Do you recognize that document?</p> <p>23     A    Yes.</p> <p>24     Q    And what is it?</p> <p>25     A    The background questionnaire that I</p>

Page 22	Page 24
<p>1       filled out.</p> <p>2       <b>Q   Did you provide all answers contained in</b>  <b>3    this exhibit yourself?</b></p> <p>4       A   I may have asked Bruce to help me  5       clarify one or two of the questions.</p> <p>6       <b>Q   Are all the answers contained in the</b>  7       <b>exhibit accurate and complete to the best of your</b>  8       <b>knowledge?</b></p> <p>9       A   Except for the spelling of my name,  10      which I originally said it was V-I-E-R-S, and this  11      says V-I-R-E-S, and I don't really know which is  12      the correct spelling, sorry to say.</p> <p>13      <b>Q   Okay.</b></p> <p>14      <b>Were you going to look for it?</b></p> <p>15      A   I looked in my wallet for my license,  16      and it just has a V.</p> <p>17      <b>Q   Okay.</b></p> <p>18      A   It's a small town in France that I was  19      named after, and I always forget the spelling, and  20      I just don't remember. I'm sorry.</p> <p>21      MS. IVORY: Included on page number  22      four, question number seventeen, as it relates to  23      privately-held companies, your response is, too  24      many to list.</p> <p>25      THE WITNESS: This is a true statement.</p>	<p>1       saying?</p> <p>2       MS. IVORY: Yes.</p> <p>3       THE WITNESS: Okay. I can do that. You  4       want me to try?</p> <p>5       BY MS. SPRINGER-CHARLES:</p> <p>6       <b>Q   Go ahead.</b></p> <p>7       A   Palm House PB, LLC, Palm House, LLC. If  8       I don't own it, do I list it, or no?</p> <p>9       <b>Q   If you either owned it directly or</b>  10      <b>indirectly.</b></p> <p>11      A   So my wife owns Bonaventure, LLC. She  12      owns Mirabia, LLC. Matthews Ventures and/or  13      Matthews Ventures Holdings, LLC.</p> <p>14      MR. REINHART: Miss Springer, can I show  15      him the subpoena that has the list? Maybe that'll  16      help him to just go through and that will refresh  17      his memory to some of those.</p> <p>18      MS. SPRINGER-CHARLES: Sure.</p> <p>19      MR. REINHART: Maybe start with this.  20      Just go through the entities that are -- I'm  21      sorry. I'm showing you the subpoena that's marked  22      April 14th to Palm House, LLC directed to me. Just  23      look under the definitions under Section A.  24      There's a list of a number of entities. Why don't  25      we just start -- why don't you tell them which, if</p>
<p style="text-align: center;">Page 23</p> <p>1       I've had dozens of LLCs. Most of them are --  2       don't exist anymore, but I think this asks for  3       like -- I believe this asks for all of them.</p> <p>4       MS. IVORY: And if we had to, I guess,  5       narrow it down to those for which you had now as  6       of January 1st, 2012 to the present, could you  7       share those with us?</p> <p>8       THE WITNESS: Yeah. I'm sorry. Which  9       question is it?</p> <p>10      MS. IVORY: Number seventeen.</p> <p>11      MR. REINHART: Seventeen.</p> <p>12      THE WITNESS: I'm looking at fourteen.</p> <p>13      I'm getting confused.</p> <p>14      MR. REINHART: This is the question  15      about LLCs that you --</p> <p>16      THE WITNESS: Oh, too many to list.</p> <p>17      Okay. Yeah.</p> <p>18      MR. REINHART: And so her question was:  19      If you just look at 2012 to the present, can you  20      narrow that down and answer the ones --</p> <p>21      THE WITNESS: Even the ones that don't  22      exist anymore?</p> <p>23      BY MS. SPRINGER-CHARLES:</p> <p>24      <b>Q   Correct.</b></p> <p>25      A   Try to remember, is that what you're</p>	<p>1       any, of those you have an ownership interest in,  2       or had an ownership interest.</p> <p>3       THE WITNESS: 149 Brazilian, LLC, I  4       think. I'm not sure if that's the one. If that's  5       the land behind the hotel. 160 Royal Palm, LLC,  6       Royal 160, LLC, Alibi, LLC, Alibi Limited,  7       Bonaventure.</p> <p>8       MR. REINHART: Slow down.</p> <p>9       THE WITNESS: I don't know if I ever had  10      Botticelli. Flagship --</p> <p>11      MR. REINHART: And remember the  12      instructions Ms. Springer gave you. If you think,  13      just make clear you're guessing, as opposed to  14      speculating, as opposed to you know for sure. Just  15      whatever recollection you have share it with them.</p> <p>16      THE WITNESS: I don't know if I had  17      Flagship Directors. I don't know if I even heard  18      of it.</p> <p>19      I think Hospitality Investors Group or  20      HIG Acquisitions. One of them is Frank's, and one  21      of them we set up as mine.</p> <p>22      MR. REINHART: Frank who?</p> <p>23      THE WITNESS: Frank Orenstein.</p> <p>24      MR. REINHART: Thank you.</p> <p>25      THE WITNESS: LLC -- Palm Peach, LLC</p>

<p style="text-align: center;">Page 26</p> <p>1 could be the entity we set up to be the restaurant 2 for the hotel. I'm not sure. 3 That's it. 4 MS. IVORY: Thank you. 5 If we flip the page and take a look at 6 page number five, questions twenty and twenty-one, 7 the responses were blank. I wanted to confirm 8 whether number nineteen includes all of the 9 securities or brokerage accounts that -- 10 THE WITNESS: Yeah. So twenty and 11 twenty-one I put on nineteen. Sorry. 12 MS. IVORY: Okay. No problem. 13 And if we turn to page thirty-one -- I'm 14 sorry, number thirty-one on page number eight, 15 pretty much from thirty-one, thirty-two, and 16 thirty-three were blank, and it's just surrounding 17 your educational history and any licenses you may 18 hold, courses taken. If you could just provide a 19 quick background on that. 20 MS. SPRINGER-CHARLES: Thirty-four and 21 thirty-five, also, just so the record's clear. 22 THE WITNESS: Thirty-one, I did two 23 years at Cape Cod Community College and got an AA, 24 and did a year at UMass Amherst. 25 MS. IVORY: Okay.</p>	<p style="text-align: center;">Page 28</p> <p>1 <b>Q</b> You can try to limit it to 2012 through 2 the present. 3 A Yeah. I would say American Cancer 4 Society and -- board memberships, right? Oh, 5 committees. And various fundraising committees 6 for various fundraising events that my wife and 7 myself are involved with. 8 MS. IVORY: Okay. 9 And number thirty-six, surrounding your 10 membership in any social clubs, charities, or 11 organizations, the answer's yes, but there is no 12 list. 13 THE WITNESS: That would be like Donald 14 Trump's Mar-a-Lago Club. Is that what you mean by 15 that? 16 MR. REINHART: Yes. 17 MS. IVORY: Yes. 18 THE WITNESS: Okay. And then the golf 19 club, Trump International Golf. 20 MS. IVORY: Okay. 21 THE WITNESS: And we set up a charity 22 several years ago after 2012, I'm pretty sure, 23 that was called the Matthews Family Foundation in 24 the hopes of raising a lot of money. So that 25 would be one of them. I can't think of any other</p>
<p style="text-align: center;">Page 27</p> <p>1 THE WITNESS: Yeah. I don't know of any 2 other courses that I took. I could've. I just 3 don't remember. 4 And professional licenses, number 5 thirty-three, I'm an airplane pilot. Does that 6 count, or no? 7 MS. IVORY: Okay. 8 MR. REINHART: But, for example, you've 9 never been a CPA, you've never had a securities 10 license, you've never been a contractor or 11 anything like that? 12 THE WITNESS: No. Scuba diving, too. 13 MR. REINHART: That's not a profession. 14 THE WITNESS: Okay. Sorry. 15 MS. IVORY: So what about number 16 thirty-five, are you or have you ever been a 17 member of any business club or organization? 18 THE WITNESS: Yes. Yes. You mean like 19 Board member for American Cancer Society, that 20 kind of thing? 21 MS. SPRINGER-CHARLES: Right. 22 MS. IVORY: Yes. 23 THE WITNESS: Yeah. I mean, a lot of 24 them. 25 BY MS. SPRINGER-CHARLES:</p>	<p style="text-align: center;">Page 29</p> <p>1 clubs. 2 MR. REINHART: Okay. 3 MS. IVORY: Thank you. 4 MS. SPRINGER-CHARLES: I'll ask the 5 Court Reporter to mark a copy of this composite 6 exhibit of documents related to the Palm House, 7 LLC, I believe, generally to the Palm House, LLC 8 and may encompass 160 Royal Palm and maybe Palm 9 House PB, LLC, but we'll go through it to sort of 10 guide our discussion about the entities now, as 11 Exhibit No. 149. And I believe these documents 12 may be produced by you, so hopefully you've seen 13 them before. 14 (SEC Exhibit No. 149 was 15 marked for identification.) 16 BY MS. SPRINGER-CHARLES: 17 <b>Q</b> Mr. Matthews, I'm showing you what's 18 been marked as Exhibit No. 149. We can refer to 19 it as needed as we discuss these entities. 20 Have you seen these documents before? 21 A Yes. 22 <b>Q</b> 160 Royal Palm, LLC is the entity that 23 owns the hotel, correct? 24 A Yes. 25 <b>Q</b> On August 30th, 2013, Glenn Straub</p>

<p style="text-align: center;">Page 30</p> <p>1 assigned his interest in 160 Royal Palm, LLC to  2 Palm House, LLC, correct?  3 A I don't know the date, but if you tell  4 me, I believe you.  5 Q And we can refer to this package.  6 A Yeah. There's a closing file somewhere,  7 but it's not here, I don't think.  8 Q We'll get to that later on today.  9 A Okay. If it's the closing date, then  10 I'm sure that's the closing date if you tell me.  11 Q Okay. But that's what happened, Glenn  12 Straub at some point in 2013 assigned his  13 membership interest in 160 Royal Palm, LLC to Palm  14 House, LLC, correct?  15 A Yes.  16 Q Gerry Matthews owned ninety-nine percent  17 membership interest in Palm House, LLC at that  18 time, correct?  19 A Yes.  20 Q And Ryan Black owned one percent?  21 A Yes.  22 Q Is that still the case?  23 A Well, we tried to tender the offer to  24 get rid of Ryan, so I don't know if he legally  25 still does, but I think legally he does.</p>	<p style="text-align: center;">Page 32</p> <p>1 A Yes.  2 Q And he appointed Leslie Evans as  3 managing member on October 21st, 2014?  4 A Yes.  5 Q Okay.  6 So I think you mentioned this, but  7 although Gerry and Ryan owned the membership  8 interest in Palm House, LLC, were you the one that  9 was in control of that entity between the time it  10 was formed and today?  11 A No. I was -- I had Gerry's interest. I  12 never had Ryan's interest.  13 Q Okay.  14 A He was the managing member.  15 Q But you had Gerry's interest between the  16 time that entity was formed --  17 A Yes.  18 Q -- and the present?  19 A Yes.  20 Q Okay. And that's that ninety-nine  21 percent interest in that -- well, in that entity?  22 A Yes.  23 MR. REINHART: But when you say you had  24 interest, just can you clarify? You had effective  25 control over that member interest?</p>
<p style="text-align: center;">Page 31</p> <p>1 Q Own one percent?  2 A Own one percent, yes.  3 Q And who owns the other ninety-nine  4 percent?  5 A Well, the other ninety-nine percent was  6 in my brother's name, but it was never really for  7 him. It was always for me.  8 Q Okay.  9 A So he legally owns it.  10 Q Okay.  11 Ryan Black was the managing member of  12 Palm House, LLC until at least October 19th, 2014  13 correct? I think I put these documents in  14 chronological order to kind of follow, you know,  15 the formation of the entity and then ultimately  16 what had happened. So I think if we go to  17 October --  18 A 20th. I see it.  19 Q Yes. Right?  20 A Yes.  21 Q So I'm correct?  22 A You're correct.  23 Q Okay.  24 On October 20th, your brother Gerry  25 removed him as managing member, correct?</p>	<p style="text-align: center;">Page 33</p> <p>1 THE WITNESS: Right.  2 MR. REINHART: Okay.  3 BY MS. SPRINGER-CHARLES:  4 Q What about 160 Royal Palm, did you have  5 control of that entity from the time that Palm  6 House, LLC acquired the membership interest from  7 Straub until the present --  8 A Well, Palm --  9 Q -- the ninety-nine percent?  10 A No. 160 was owned by Palm House. So  11 Palm House was the managing member and the owners  12 owned 160.  13 Q Okay.  14 A So Palm House controlled 160.  15 Q But through your control -- well, your  16 ninety-nine percent interest, then you also had  17 that control over 160?  18 A Yes, in effect.  19 Q Okay.  20 Why wasn't your name on any of the  21 paperwork -- on any of the paperwork related to  22 the ownership of either Palm House, LLC and,  23 ultimately, 160 Royal Palm when Palm House  24 acquired it from Straub? Why wasn't it just you?  25 A Because I had blown up in '08 and lost</p>

<p style="text-align: center;">Page 34</p> <p>1 over three hundred million dollars, and I was in  2 the newspapers, and my wife made me promise to not  3 end up in the papers again. And so I asked my  4 brother if he would do it for me and be the owner,  5 and I asked Ryan if he would be the managing  6 member. I had met him earlier and asked him if he  7 would help out, and he said he would. And so  8 that's really why.</p> <p>9       <b>Q</b> Why did you need Ryan to be the managing  10 member?</p> <p>11      A He just had a baby, and I'd met him  12 through a mutual friend. I think Dean Metropolis.  13 And I was trying to help him out. And, for  14 example, in the operating agreement, it says you  15 can buy him out for two hundred and twenty  16 thousand dollars. Originally, it said twenty-two  17 thousand. I said, oh, Ryan, you just had a baby,  18 let's make it so you got some more money out of  19 it. So he had some expertise. He knew some  20 architects in New York. He seemed like a kid on  21 the ball, so I thought he could help out and do a  22 good job. He had a lot of more New York  23 experience than I did.</p> <p>24       <b>Q</b> Why did Gerry agree to do this for you?</p> <p>25      A I think Gerry, who never got any</p>	<p style="text-align: center;">Page 36</p> <p>1       <b>hotel through, you know, the ownership or the</b>  2       <b>majority interest in these entities, so to make it</b>  3       <b>easier, the time that you acquired the hotel until</b>  4       <b>the receiver entered the picture. That's really</b>  5       <b>the timing for most of the questions, if not all</b>  6       <b>of the questions today. Okay?</b></p> <p>7      A Okay.</p> <p>8       <b>Q</b> Did Ryan defer to you? Did he come to  9 you before making decisions as it related to the  10 hotel?</p> <p>11      A I don't know if he came to me before  12 making decisions. I'm trying to think of a  13 specific thing in my memory even if it's hazy  14 part. And I think when he lined up the architects  15 and when he lined up the computer experts for all  16 the hardware and everything, he just did it on his  17 own and would send the bills in, so --</p> <p>18       <b>Q</b> But did you direct him to do those  19 things?</p> <p>20      A I mean, I think it was mutual. We both  21 needed -- we needed to get the systems in place. I  22 don't think it was me or him specifically.</p> <p>23       <b>Q</b> Was there a separate agreement between  24 you, Gerry, and Ryan showing that you were  25 actually the owner of the hotel?</p>
<p style="text-align: center;">Page 35</p> <p>1 economic interest in any anything, except for lots  2 of legal suits because of Joe, did it as a brother  3 to help out.</p> <p>4       <b>Q</b> Were you the person who was, ultimately,  5 in charge of the day-to-day management of the  6 hotel once Palm House acquired Straub's interest  7 in 160 Royal Palm?</p> <p>8      A Yeah. Ryan had certain things that he  9 did, but I was there every day. He wasn't there  10 every day.</p> <p>11       <b>Q</b> What did Ryan do?</p> <p>12      A Oh, he got the -- he lined up the  13 computers. He lined up bids for architects. He  14 was trying to put together an advisory board. He  15 did all kinds of things.</p> <p>16       MR. REINHART: I'm sorry. Can I just  17 clarify the time frame. You say he was in charge.  18 Up until the point, I assume, the receiver's  19 appointed?</p> <p>20       MS. SPRINGER-CHARLES: Correct. Correct.</p> <p>21       MR. REINHART: I just wanted to clarify.</p> <p>22       BY MS. SPRINGER-CHARLES:</p> <p>23       <b>Q</b> So for most of, if not all of my  24 questions, are going to be from the time that --  25 well, I'll just say you, ultimately, acquired the</p>	<p style="text-align: center;">Page 37</p> <p>1      A No.</p> <p>2       <b>Q</b> Okay.</p> <p>3       Can you turn with me to the document  4 that's -- I think it's in chronological order. So  5 there's an email, dated 8/14/2014, and attached to  6 it, it's an email from Ryan Black to Bob Matthews.  7 Did you receive this email?</p> <p>8      A I'm sorry. Thanks.</p> <p>9       Yes. Yes.</p> <p>10       <b>Q</b> Why did Ryan send this to you at this  11 time?</p> <p>12      A I think we were fighting at that time,  13 and he had sent me a draft, transfer membership  14 interest, and I foolishly didn't do it.</p> <p>15       <b>Q</b> Why were you fighting at this time?</p> <p>16      A This is in '14, right?</p> <p>17       <b>Q</b> August 14th, 2014.</p> <p>18      A I don't remember. I just remember we  19 weren't getting along. I can't tell you  20 specifically why. I just remember we weren't  21 getting along.</p> <p>22       <b>Q</b> So the transfer of membership interest  23 agreement, this was never executed, correct?</p> <p>24      A True.</p> <p>25       <b>Q</b> Okay.</p>

<p style="text-align: right;">Page 38</p> <p>1 Turn with me to the email, dated  2 10/25/2014. It's an email from  3 rvmatthews22@gmail.com to Frank Orenstein and Nick  4 Laudano. It's forwarding a document that, I  5 believe, came from Gerry Matthews.  6 A As discussed --  7 Q And the attachment is -- if you keep  8 going, the document that's supposed to be attached  9 to the email follows. It's a limited power  10 attorney of Gerry Matthews.  11 A Oh, okay. Yes.  12 Q Why did Gerry send this document to you  13 at that time?  14 A I don't remember. I probably asked him  15 for it.  16 Q Why?  17 A I have no idea. Somebody probably said,  18 Bob, you have to have Gerry's power of attorney. I  19 don't remember.  20 MR. REINHART: Hold on a second. Can  21 you -- maybe you can help. Was this before or  22 after the incident where Mr. Black goes to the  23 hotel with the armed guards?  24 MS. SPRINGER-CHARLES: This is after,  25 because it's certainly after Les Evans was, you</p>	<p style="text-align: right;">Page 40</p> <p>1 Lastly, I'd like to ask you about the  2 email, dated 1/7/2015. It's from Gerry Matthews  3 to Bob Matthews. You received this email,  4 correct?  5 A Oh, yes.  6 Q Were these documents attached to this  7 email, were they executed -- or fully executed, I  8 should say?  9 A No, I don't think so.  10 Q To make the record clear, who are the  11 current members of Palm House, LLC?  12 A Ryan Black, under protest, and Gerry  13 Matthews.  14 Q Is the power of attorney that Gerry  15 provided to you, is that still valid?  16 A No.  17 Q No. Why not?  18 A Can I go off the record?  19 MS. SPRINGER-CHARLES: Let's go off the  20 record.  21 (A brief recess was taken.)  22 MS. SPRINGER-CHARLES: Let's go back on  23 the record.  24 BY MS. SPRINGER-CHARLES:  25 Q Mr. Matthews, did you have any</p>
<p style="text-align: right;">Page 39</p> <p>1 know, made managing member. He was made managing  2 member on the 21st, and this email was sent on the  3 25th.  4 MR. REINHART: That time sequence, does  5 that refresh your memory as to why you had  6 gotten --  7 THE WITNESS: Yes. Thank you.  8 MR. REINHART: Answer their question.  9 THE WITNESS: I think Alan Berger --  10 BY MS. SPRINGER-CHARLES:  11 Q Well, I don't want you to discuss with  12 me anything that your attorney -- and today, I'd  13 like you to be careful not to discuss with me any  14 attorney/client privilege communications that you  15 had with your attorneys.  16 MR. REINHART: So let me instruct him.  17 If the truthful answer to the question  18 is simply, it was based on something I discussed  19 with my attorneys, you can answer it that way, but  20 just don't get into what you and your attorneys  21 discussed.  22 THE WITNESS: It was based on something  23 that I discussed with my attorneys.  24 BY MS. SPRINGER-CHARLES:  25 Q Okay.</p>	<p style="text-align: right;">Page 41</p> <p>1 substantive discussions with any members of the  2 staff while we were off the record?  3 A No.  4 Q And I believe the question was, whether  5 the power of attorney that Gerry had provided to  6 you was still valid, and your response was no, and  7 the next question was, why not?  8 A He revoked it. I don't know the  9 specific reason.  10 Q Palm House PB was the entity that  11 entered into the original contract with Glenn  12 Straub to purchase the hotel, correct?  13 A Yes.  14 Q I believe when I looked at the corporate  15 documents, and I don't have them in front of me,  16 but take my word for it, if you will, for a  17 minute, I believe Leslie Evans was listed as the  18 managing -- the manager of that entity.  19 A Yes.  20 Q Were you, though, the person that was,  21 you know, ultimately in control of that entity?  22 A Yeah. Les set it up, and I don't know  23 if he owned it or if I owned it. In my mind, I  24 owned it, but I don't know if I legally owned it.  25 Q Okay. But in your mind, you owned it?</p>

<p>Page 42</p> <p>1 A In my mind, yes.</p> <p>2 Q <b>Did you direct Les to set up the entity?</b></p> <p>3 A I believe I did, yes.</p> <p>4 Q <b>And was that in order to purchase the hotel? Was that why it was set up?</b></p> <p>5 A Originally to purchase the hotel, and then to purchase the interest from the LLC that Glenn Straub owned.</p> <p>6 Q <b>Okay.</b></p> <p>7 <b>What is MVH, LLC?</b></p> <p>8 A It sounds like it stands for Matthews Ventures Holdings, LLC.</p> <p>9 MS. SPRINGER-CHARLES: I'll ask the Court Reporter to mark -- maybe this will help our discussion about it -- a copy of this composite exhibit. It's a November 20th, 2012 email from Bob Matthews to Ryan Black, as well as an October 14th, 2014 email from Ryan Black to Joseph Walsh as Exhibit No. 150.</p> <p>10 (SEC Exhibit No. 150 was marked for identification)</p> <p>11 BY MS. SPRINGER-CHARLES:</p> <p>12 Q <b>Mr. Matthews, I'm showing you what's been marked as Exhibit No. 150. I don't know if this first email will jog your memory as to, you</b></p>	<p>Page 44</p> <p>1 THE WITNESS: Is this the entity that owns the Palm House -- I guess he's asking if the entity owns the Palm House. I don't know.</p> <p>2 BY MS. SPRINGER-CHARLES:</p> <p>3 Q The email is an email originally, I think, from Joseph Walsh to Ryan Black.</p> <p>4 A Oh, okay. From Joseph Walsh to Ryan Black.</p> <p>5 Q If you start at the bottom, it looks like, you know, Joseph Walsh sends him an email with a link to Matthews Ventures Holdings, LLC. And Ryan Black's response is -- and, again, remember the subject is, Is this the entity that owns the Palm House? Ryan Black says, "It is MVH, LLC. That entity is Bob's old entity. It has so many liabilities, that they set up MVH, LLC as a Delaware Corp. owned by Gerry."</p> <p>6 A Well, MVH, LLC, if it's short for Matthews Ventures Holdings, LLC, it's one of the ones that I did used to own. I don't really understand what the question is.</p> <p>7 MR. REINHART: I don't think you understand. Look here -- can I?</p> <p>8 MS. SPRINGER-CHARLES: Go ahead.</p> <p>9 MR. REINHART: Okay. Thank you.</p>
<p>Page 43</p> <p>1 know, just the timing of the email.</p> <p>2 First, did you send this email to Ryan Black? That's my first question.</p> <p>3 A Yes.</p> <p>4 Q All right. And it looks like on or about November 20th, Ryan Black may have formed this entity, although, it says, Dear, Gerry. Does this refresh your recollection as to what this entity is and why it was formed?</p> <p>5 A I -- Ryan Black must've asked him to form an entity. I just don't remember what was in this entity, if anything. I don't know if it ever was used or not.</p> <p>6 Q The next email, you're not on this chain, but Ryan Black appears to be speaking to Joseph Walsh, and he says, "It is MVH, LLC. That entity is Bob's old entity. It has so many liabilities, that they set up MVH, LLC as a Delaware Corp. owned by Gerry."</p> <p>7 Does that at all refresh your recollection as to what that entity is?</p> <p>8 A No.</p> <p>9 MR. REINHART: If I can, look at the title -- the subject line on the email. That may refresh your memory, if it does.</p>	<p>Page 45</p> <p>1 So it's an email, it looks like here, from Mr. Walsh to Mr. Black, and attached, as Ms. Springer points out to you, is a link to the Matthews Ventures Holdings, LLC on the Internet.</p> <p>2 THE WITNESS: Okay.</p> <p>3 MR. REINHART: And the question is: Is this the entity -- they're asking if Matthews Ventures Holding is the entity that owns the Palm House, and the response is, it is MVH, LLC. That entity -- presumably referring to Matthews Ventures Holdings, is Bob's old entity.</p> <p>4 So as I read this what it's saying is, Mr. Walsh says to Mr. Black, if Matthews Ventures Holdings owns the hotel, and the response is, no, that's his old entity, they're creating a new entity, MVH, LLC.</p> <p>5 THE WITNESS: Yeah. But aren't they saying that MVH, LLC owns the hotel? It doesn't I don't understand.</p> <p>6 BY MS. SPRINGER-CHARLES:</p> <p>7 Q Okay. And that's my question. That would be my ultimate question. Is there any agreement out there or any documents out there that suggest that MVH, LLC actually owns the hotel?</p>

<p style="text-align: center;">Page 46</p> <p>1 A No.    2 Q Okay.    3 THE WITNESS: Thank you, Bruce.    4 MR. REINHART: I'm not just a potted    5 plant.    6 BY MS. SPRINGER-CHARLES:    7 Q What is Matthews Commercial Properties?    8 A It's my brother's brokerage firm in    9 Connecticut.    10 Q What type of brokerage firm?    11 A Real estate, commercial brokerage.    12 Q What was your relationship to that    13 entity, if any?    14 A My brother owned an entity called    15 Matthews Commercial.    16 Q Did you have any dealings with that    17 entity, business dealings with that entity or any    18 role at this entity?    19 A He could've bought a building from me    20 ten years ago and used that entity, but other than    21 that, I can't think of anything.    22 Q So your brother owned and controlled    23 that entity?    24 A Yes.    25 Q Did it have any relationship to the Palm</p>	<p style="text-align: center;">Page 48</p> <p>1 Before the Palm House project, had you    2 ever done business with Frank Orenstein before?    3 THE WITNESS: Yes. Yes.    4 BY MS. SPRINGER-CHARLES:    5 Q Okay.    6 A Yes. Yes. He was the one that -- that    7 found Hyatt Regency Bonaventure in Weston,    8 Florida. That's where I met him.    9 Q Okay.    10 A That was a project -- after I blew up in    11 '08, that was the first project that I came up    12 with to get me back on my feet with my wife. It    13 was five hundred and one rooms in Weston, Florida.    14 It was in a foreclosure. And Glenn Straub asked    15 me to look at it for him.    16 So I went and looked at it for him. And    17 I don't remember the numbers. I think they were    18 asking like eleven million dollars. And I told    19 Glenn I thought it was one of the best deals I'd    20 ever seen. And he said that he wanted to figure a    21 way how to hurt Frank and not pay his million    22 dollar fee. And I said he had a non-circumvent.    23 You can't go around him. You should just pay him    24 his fee. It's a great deal. And he didn't.</p>
<p style="text-align: center;">Page 47</p> <p>1 House Hotel?    2 A No.    3 Q What is Hospitality Investors Group,    4 LLC?    5 A As I said before, one of them is an    6 entity that Frank Orenstein and I set up to do new    7 deals, and one of them is Frank Orenstein's    8 entity. I don't -- I don't remember which one's    9 which. One was investments and one was -- there's    10 two of the names that sound the same. I'm not    11 sure which is which.    12 Q Who's Frank Orenstein?    13 A Frank Orenstein owned a company called    14 Hospitality something, something, and he was the    15 guy that I hired to get appraisals on the Palm    16 House. He was a hotel consultant. He got the    17 numbers for what the average daily rates would be    18 and what the occupancy would be. And he helped me    19 find a design firm. He was a consultant who    20 helped me with the hotel.    21 Q Did you have other business dealings    22 with Frank and either of those entities separate    23 and apart from the hotel?    24 MR. REINHART: If I can break the    25 question in half, maybe this will make it easier.</p>	<p style="text-align: center;">Page 49</p> <p>1 And I went to Frank, and I got it under    2 agreement and borrowed money and got a closing in    3 thirty days and ended up on the thirtieth day    4 selling it and keeping a residual interest of    5 eighteen percent and flipped it and made some    6 amount of money. I don't know. Between two and    7 four million dollars maybe.    8 Q Do you have any interest in that hotel    9 today?    10 A No. Then, subsequently, they bought out    11 the eighteen percent a couple of years ago. I'm    12 not sure. It could've been '15. It could've been    13 '16. It could've been '14. So that's how I    14 met Frank.    15 MR. REINHART: And to help her out, what    16 was the entity that you formed to hold the --    17 THE WITNESS: Bonaventure -- Bonaventure    18 22.    19 BY MS. SPRINGER-CHARLES:    20 Q And you owned and controlled that    21 entity?    22 A No. It was my wife's entity, but I --    23 you know, I ran with it.    24 Q Were you the person who really    25 controlled that entity even though it was in your</p>

<p style="text-align: center;">Page 50</p> <p>1      <b>wife's name legally?</b>  2      A   Yeah.  3      Q   Okay.  4      A   I would say so.  5      Q   <b>What was your wife's role at that entity?</b>  6      A   Well, she --  7      Q   <b>Other than being the owner on the legal documents, but what did she actually do for that entity?</b>  8      A   Well, my wife helped me a lot with the design. She has a very good, you know, fashion look, as with the hotel. And we were looking at bringing in at the time The Biggest Loser. You know the TV show, The Biggest Loser? We were going to sublet a big chunk of the space out to them. Originally, that was the plan.  9      So she knew the deal. She didn't know the numbers as much. It was losing a lot of money, the hotel. So that's it. She was going to help with the design. That's it.  10     Q   <b>How much money did you make when you sold your eighteen percent interest in the hotel?</b>  11     A   I don't remember, but I think maybe a million. It could've been less; it could've been </p>	<p style="text-align: center;">Page 52</p> <p>1      <b>House Hotel? You touched on it. You talked about getting appraisals done. What else did he do?</b>  2      A   Well, he got -- he helped me with everything with the hotel. He got the appraisals done. He -- his company ran the numbers for what the projections would look like at the hotel, the occupancies, the average daily rates. He worked tirelessly with me to get financing. We met with lots of people.  3      Oh, he introduced me to Le Cirque to do the Le Cirque brasserie in the hotel. And he negotiated that deal. Just a lot of things, a lot of different things.  4      Q   <b>How was he compensated for doing these things?</b>  5      A   I wrote a check to him.  6      Q   <b>Well, was there an agreement as to how --</b>  7      A   I think he would just -- he would just bill me. Like I just recently saw a bill from him for twelve five. I was going through old emails, and it was for doing, you know, some of the things I just said, you know.  8      MR. REINHART: But I think her question was: Was there any sort of a written agreement </p>
<p style="text-align: center;">Page 51</p> <p>1      more, but somewhere around there.  2      Q   <b>And did that money go directly into Bonaventure 22?</b>  3      A   It could've gone through my lawyer's account and then to Bonaventure. I don't know the ultimate path.  4      Q   <b>But, ultimately, it went into Bonaventure's account?</b>  5      A   I'd have to look. I think so. It's logical, but I don't know for a fact.  6      Q   <b>What's the status of Bonaventure 22 today?</b>  7      A   It's just an account that has eleven dollars in it right now. And it's in -- it's at IberiaBank, and we use it to pay utility bills, electric, gas, water, that kind of thing.  8      Q   <b>For your home?</b>  9      A   Yes.  10     Q   <b>Other than that deal, had you done any other deals with Frank Orenstein prior to the Palm House Hotel?</b>  11     A   No.  12     Q   <b>And so once you acquired the Palm House -- I guess how did you form -- what did Frank Orenstein specifically do once you had Palm</b> </p>	<p style="text-align: center;">Page 53</p> <p>1      that specified what his fees would be?  2      THE WITNESS: No, I don't think so. I mean, there could be an email. I don't know. I don't believe -- I don't remember one. It was more of a -- you know, his wife had cancer who died, and I think I lent him some money at one point to help him out. So I don't -- I don't think we had a specific --  3      BY MS. SPRINGER-CHARLES:  4      Q   <b>When did you lend him money?</b>  5      A   Oh, I don't know. During course of this.  6      Q   <b>Of the time that he was doing work with you on the Palm House?</b>  7      A   Yeah.  8      Q   Okay.  9      <b>Where'd the money come from to lend him?</b>  10     A   Well, I don't -- I don't remember. It could've been, you know, an advance on some of the work. It could've been a personal loan. I don't remember.  11     Q   <b>Did you document that?</b>  12     A   No. And I may not have lent him money just for the record. I just remember trying to help the guy out because his wife had cancer and </p>

Page 54	Page 56
<p>1 working with him.</p> <p>2       <b>Q Did you work on any other deals</b></p> <p>3 subsequent to the Palm House deal with Frank, or</p> <p>4 concurrently, concurrently or subsequently?</p> <p>5       A Yes, concurrently.</p> <p>6       <b>Q What other deal?</b></p> <p>7       A Oh, a lot of deals. We tried to buy the</p> <p>8 Conrad Hilton in Ft. Lauderdale. We worked The</p> <p>9 Biggest Loser deal with looking at other places to</p> <p>10 go with that. A lot of different -- a deal in New</p> <p>11 York City, Ganesvort in New York City.</p> <p>12       MR. REINHART: Can you spell that for</p> <p>13 the Court Reporter.</p> <p>14       THE WITNESS: G-A-N-E-S-V-O-R-T.</p> <p>15       A lot of different deals.</p> <p>16       BY MS. SPRINGER-CHARLES:</p> <p>17       <b>Q When you compensated him for his work,</b></p> <p>18 did you make a distinction about whether that</p> <p>19 compensation was for work on Palm House versus any</p> <p>20 of the other deals that he's concurrently working</p> <p>21 on?</p> <p>22       A Well, the other deals, we were working</p> <p>23 together trying to acquire them. So he didn't get</p> <p>24 paid fees for that?</p> <p>25       <b>Q He didn't get paid for that?</b></p>	<p>1       <b>Palm House?</b></p> <p>2       A No.</p> <p>3       <b>Q I don't know if I asked this, and</b></p> <p>4 forgive me if I have already asked this, did</p> <p>5 Bonaventure otherwise -- did it have any</p> <p>6 relationship to Palm House at all, Bonaventure 22,</p> <p>7 the entity?</p> <p>8       A The only relationship it had is when I</p> <p>9 took my developer fee of, I believe a million one,</p> <p>10 half of the two two, I think I put -- I think one</p> <p>11 of the checks went in there for that. It could've</p> <p>12 had other checks, too. I mean --</p> <p>13       <b>Q So at one point, you took your developer</b></p> <p>14 <b>fee of one point one million dollars and you</b></p> <p>15 <b>transferred it into Bonaventure 22's bank account;</b></p> <p>16 <b>is that correct?</b></p> <p>17       A Yes. Yes.</p> <p>18       <b>Q Where did you take that one point one</b></p> <p>19 <b>million dollar developer fee from?</b></p> <p>20       A It either would've come from the</p> <p>21 checking account or it would've come from Les</p> <p>22 Evans's account.</p> <p>23       <b>Q 160 Royal Palm's checking account?</b></p> <p>24       A Yes.</p> <p>25       <b>Q Okay. And we'll talk about it. I think</b></p>
Page 55	Page 57
<p>1       A No. No.</p> <p>2       <b>Q He only got paid -- for any time he got</b></p> <p>3 <b>paid it was for work associated with the Palm</b></p> <p>4 <b>House?</b></p> <p>5       A Yes. Yes.</p> <p>6       <b>Q Between the time that, you know, Palm</b></p> <p>7 <b>House acquired -- well, you acquired the hotel and</b></p> <p>8 <b>the time the receiver came in --</b></p> <p>9       A Yes.</p> <p>10       <b>Q -- those fees were all related to work</b></p> <p>11 <b>on Palm House?</b></p> <p>12       A Yes. He could've done some work on --</p> <p>13 any work he did on other things, we were trying to</p> <p>14 do together, to buy a deal and do it to go.</p> <p>15       MR. REINHART: Can I ask a quick</p> <p>16 question?</p> <p>17       On those other deals, was there ever any</p> <p>18 revenue generated? Did he have extra money or</p> <p>19 different money for the work he did on the other</p> <p>20 deals?</p> <p>21       THE WITNESS: If we bought a deal, we</p> <p>22 would've done something together, he was going to</p> <p>23 be an owner, so he wasn't going to get paid.</p> <p>24       BY MS. SPRINGER-CHARLES:</p> <p>25       <b>Q But he was not going to be an owner of</b></p>	<p>1       <b>later we'll get into that some more.</b></p> <p>2       <b>What is Mirabia?</b></p> <p>3       A Mirabia was Miranda and Bianca. It was</p> <p>4 an LLC. That was set up, gosh, a long time ago.</p> <p>5 And I think it's a Delaware LLC. And we ended up</p> <p>6 using it as a -- the LLC to acquire the land</p> <p>7 behind the Palm House.</p> <p>8       <b>Q Did you own and control that LLC?</b></p> <p>9       A Well, I don't think I legally owned it.</p> <p>10 I don't think I had anything on my name, but that</p> <p>11 was my wife's LLC.</p> <p>12       <b>Q But did you control it?</b></p> <p>13       A Yes.</p> <p>14       <b>Q And its only relationship to the hotel</b></p> <p>15 <b>was that it was -- it acquired that land behind</b></p> <p>16 <b>the hotel?</b></p> <p>17       A True.</p> <p>18       <b>Q And what was that land supposed to be</b></p> <p>19 <b>used for?</b></p> <p>20       A It was -- the land behind the hotel was</p> <p>21 what Joe Walsh called Palm House Residences, and</p> <p>22 Joe directed me to buy the land behind the hotel</p> <p>23 to -- he was going to do a separate deal and raise</p> <p>24 money. I don't remember how much. Maybe thirty</p> <p>25 or forty million dollars. It's in my email, so it</p>

<p style="text-align: right;">Page 58</p> <p>1 would say it. And that was going to be a separate  2 deal. He was trying to use it through private  3 investors. I think if he didn't do it through  4 private investors, he was going to try to do an  5 EB-5 deal on it.</p> <p>6 MR. REINHART: What was the Palm House  7 Residences going to be? I think is her question.</p> <p>8 THE WITNESS: It was going to be a for  9 sale unit product contiguous of the Palm House. It  10 was put in a different name so that we wouldn't  11 have what's called unity of title.</p> <p>12 BY MS. SPRINGER-CHARLES:</p> <p>13 Q <b>If you can explain?</b></p> <p>14 A Well, if you have two pieces of property  15 and you put it in the same name, it's the same  16 title, and so this open space would mess up with  17 this open space.</p> <p>18 MR. REINHART: Hold on. Hold on. The  19 Court Reporter is trying to take this down, so you  20 need to make sure this is clear on the record.</p> <p>21 So you're showing two different pieces  22 of paper that you configured to look like two  23 parcels of land next to each other, right?</p> <p>24 THE WITNESS: Yes. If the land's  25 contiguous and you put it under the same</p>	<p style="text-align: right;">Page 60</p> <p>1 one?</p> <p>2 THE WITNESS: You could, but it's very  3 similar to the boat transaction where if you have  4 the boat owned by the LLC, 160, and you had debt  5 on the boat, then if 160 signed on that debt, then  6 the owner of the boat, say, you were the owner of  7 the boat and you took back paper, then that  8 liability would be on this hotel, and you'd never  9 want to do that. You'd always want to separate  10 your liability to be on the individual --</p> <p>11 MR. BUSTO: But couldn't a subsidiary  12 have the debt kept within the subsidiary of the  13 parent company?</p> <p>14 THE WITNESS: I image -- I guess it  15 could've. I don't -- I never thought of it, but I  16 guess. I don't know what you mean by subsidiary,  17 though. Do you mean the LLC owns another LLC?</p> <p>18 MR. BUSTO: Correct. I mean, you know,  19 you have a parent company. You have a subsidiary.  20 They can own things separately without -- you  21 know, without having unity of title.</p> <p>22 THE WITNESS: Yeah. I always thought of  23 it as Mirabia as one hundred percent set up for  24 Joe to do either an investment or to do an EB-5  25 program.</p>
<p style="text-align: right;">Page 59</p> <p>1 ownership, it's called unity of title, and it  2 could hurt you when you went to get the  3 approvals on the second piece of land.</p> <p>4 BY MS. SPRINGER-CHARLES:</p> <p>5 Q <b>How so?</b></p> <p>6 A Well, because of the calculations -- all  7 of these calculations on the first piece of land,  8 you have certain things with density and levels  9 and how much open space you have, and if you put  10 them together before you get these approvals, all  11 of a sudden this open space, say, is seventeen  12 percent, all of a sudden the open space goes to  13 sixty percent. Then you have to go back in. You  14 have to ask for variances. So you would never  15 want to put it in the same name until after you  16 were done at that point.</p> <p>17 Q <b>But Joe Walsh intended to raise the  18 funds for the purchase of that property either  19 through a separate EB-5 offering or from private  20 investments; is that correct?</b></p> <p>21 A Yeah. I believe the emails that I saw,  22 he was trying to do it through private individuals  23 to raise money.</p> <p>24 MR. BUSTO: Couldn't he own those two  25 pieces of land in the name of a subsidiary of the</p>	<p style="text-align: right;">Page 61</p> <p>1 MR. REINHART: Can he clarify one prior  2 answer?</p> <p>3 MS. SPRINGER-CHARLES: Sure.</p> <p>4 THE WITNESS: Once the land was  5 acquired, Joe was looking into doing an EB-5  6 project as a separate thing, I believe, or as an  7 investment, just to be clear. I'm not really sure  8 how he was going to do. I don't really know.</p> <p>9 MR. BUSTO: Why didn't Walsh just buy  10 the property himself if it was for him?</p> <p>11 THE WITNESS: Why wouldn't Joe buy the  12 property himself?</p> <p>13 MR. BUSTO: Yeah. Well, why did he tell  14 you to buy the property? Why isn't he buying the  15 property directly?</p> <p>16 THE WITNESS: Because Joe wouldn't know  17 how to develop a property no matter what. Because  18 he wanted me to do it because he knew my  19 expertise. I would go in. I'd get the approvals.  20 We drew up plans on the property. We did huge  21 studies. Joe would never know how to do that. I  22 mean, I think Joe totally trusted me that I would  23 not go take Joe's money and not do what he asked  24 me to do with it. It wasn't a question.</p> <p>25 BY MS. SPRINGER-CHARLES:</p>

<p style="text-align: right;">Page 62</p> <p>1       <b>Q</b> Why wouldn't you wait until he had  2        raised the funds either privately or from a second  3        EB-5 offering in order to acquire the piece of  4        land?</p> <p>5        A It was already under agreement to be  6        sold to somebody else. I had to work really hard  7        to get that property back. And so the timing  8        was -- you know, he told me, buy the land, I'll  9        get the money, and I trusted him to get the money.</p> <p>10       <b>Q</b> I don't see any emails or any other  11        documentation where I saw Joe directing you to  12        purchase the land. Do you have any such  13        documentation, emails, or letters, or  14        correspondence?</p> <p>15        A Well, I saw layouts of Palm House  16        Residence and brochures up until -- on his website  17        up until a year ago. So whether he told me by  18        email or verbally, and then he sent me what the  19        numbers looked like, that's what he wanted me to  20        do. There's no question.</p> <p>21        MR. GALDENCIO: Can I clarify, what was  22        the source of the funds used to buy that property?</p> <p>23        THE WITNESS: There was, I believe, a  24        million dollars that was either his personal  25        money -- I mean, in retrospect looking back I know</p>	<p style="text-align: right;">Page 64</p> <p>1        we'll get into the details of the transaction  2        later just to make sure we're clear about the  3        source of the funds and the loan that was taken  4        out and such.</p> <p>5        A Okay.</p> <p>6        <b>Q</b> There's several entities that I'd like  7        to talk about that are in Connecticut. There's a  8        property located at 718 North Colony Road in  9        Wallingford, Connecticut?</p> <p>10       A Yes.</p> <p>11       <b>Q</b> What is that property? What's located  12        at that address?</p> <p>13       A That was a warehouse that I once owned  14        that we were trying to buy back.</p> <p>15       <b>Q</b> What is the Wallingford Business Park?</p> <p>16       A It's the same thing.</p> <p>17       <b>Q</b> The same thing?</p> <p>18       A Yeah.</p> <p>19       <b>Q</b> What is First Wallingford Capital  20       Corporation?</p> <p>21       A I believe that was the entity that I  22        owned that either did a friendly foreclosure or a  23        deed in lieu several years ago.</p> <p>24       <b>Q</b> What is Wallingford Naugatuck,  25        N-A-U-G-A-T-U-C-K, LLC?</p>
<p style="text-align: right;">Page 63</p> <p>1        things I didn't know then. So was it his personal  2        money? I don't know. But in the beginning when  3        he set up his account, supposedly he had his  4        personal money and he had EB-5 money in it. And  5        then the rest of the money came from a note from  6        an investor of Craig Galle knew, and they set up a  7        company called -- something that begins with M  8        Dichi or Madona or something LLC, and he lent the  9        money for the balance.</p> <p>10       MR. GALDENCIO: How were the funds  11        transferred to you?</p> <p>12       THE WITNESS: How were the funds  13        transferred -- they weren't transferred to me.</p> <p>14       MR. REINHART: The funds to purchase?</p> <p>15       MR. GALDENCIO: How was the purchase  16        money acquired by you or by your entities?</p> <p>17       THE WITNESS: The money to go to the  18        seller of the property?</p> <p>19       MR. GALDENCIO: Yes.</p> <p>20       THE WITNESS: Yeah. It would've come  21        through Les's account. It could've been a check,  22        too. Sorry. It could've been Les's account or a  23        check.</p> <p>24       BY MS. SPRINGER-CHARLES:</p> <p>25       <b>Q</b> We'll talk more about it later, but</p>	<p style="text-align: right;">Page 65</p> <p>1        A I think that was the entity that was set  2        up to try and buy it back.</p> <p>3        <b>Q</b> Okay.</p> <p>4        <b>And then there's the flip entity that</b></p> <p>5        <b>says Naugatuck Wallingford, LLC?</b></p> <p>6        A Then I'm not sure.</p> <p>7        <b>Q</b> Okay.</p> <p>8        A One of them was the entity that tried to  9        buy it back.</p> <p>10       <b>Q</b> What about First Hartford Capital  11        Corporation?</p> <p>12       A That was an entity that owned a piece of  13        land in Connecticut with my manufacturing company  14        where I used to make Cross pens on.</p> <p>15       <b>Q</b> Were any of these entities that I just  16        mentioned associated with the Palm House Hotel?</p> <p>17       A No.</p> <p>18       <b>Q</b> What is Bull Bag?</p> <p>19       A It's an entity that -- it's a business  20        that sets up bags instead of having dumpsters, and  21        you put the rubbish in it, and you sell them. I  22        believe my wife has like a five or six or seven  23        percent interest in it. It's never made any  24        money.</p> <p>25       <b>Q</b> Did you actually control -- was it your</p>

<p style="text-align: right;">Page 66</p> <p>1      <b>wife or you?</b></p> <p>2      A    No. That was for my wife and kids. That</p> <p>3      was always for them.</p> <p>4      Q    Okay.</p> <p>5      <b>But you controlled the business that was</b></p> <p>6      <b>related to that ownership interest?</b></p> <p>7      A    Yeah. I mean, I didn't control</p> <p>8      anything. The guy that owns the company</p> <p>9      controlled it.</p> <p>10     Q    <b>No. Were you the person that spoke for</b></p> <p>11     <b>that membership --</b></p> <p>12     A    Sure.</p> <p>13     Q    <b>-- although legally it was in her name,</b></p> <p>14     <b>was it you?</b></p> <p>15     A    Sure.</p> <p>16     Q    Okay.</p> <p>17     MR. REINHART: Let her finish her</p> <p>18     question before you answer.</p> <p>19     BY MS. SPRINGER-CHARLES:</p> <p>20     Q    <b>Did that entity have anything to do with</b></p> <p>21     <b>the hotel project?</b></p> <p>22     A    No. I think that was Mirabia with a</p> <p>23     Connecticut, LLC, not Mirabia with a Delaware LLC.</p> <p>24     Q    <b>Bull Bag, that's what we're talking</b></p> <p>25     <b>about.</b></p>	<p style="text-align: right;">Page 68</p> <p>1      Q    <b>Was it in conjunction with acquiring</b></p> <p>2      <b>financing for the hotel to acquire the hotel?</b></p> <p>3      A    Yes. I met him with Mark Payne through</p> <p>4      another guy from Delray, and they were originally</p> <p>5      going to try to raise sixty-two million plus</p> <p>6      for the hotel.</p> <p>7      Q    <b>Who's Jeff Perlman?</b></p> <p>8      A    Jeff Perlman's the guy that used to -- I</p> <p>9      think he's the one that was the Mayor of Delray</p> <p>10     Beach that introduced me to Joe Walsh.</p> <p>11     Q    <b>Who's Daniel Gorman?</b></p> <p>12     A    With their sidekicks Daniel Gorman and</p> <p>13     Weston Spicer.</p> <p>14     Q    <b>That was my next question. Okay.</b></p> <p>15     <b>So the three of them were the ones</b></p> <p>16     <b>that -- Perlman, Gorman, and Spicer who introduced</b></p> <p>17     <b>you to Joe Walsh and Mark Payne?</b></p> <p>18     A    Yes.</p> <p>19     Q    Okay.</p> <p>20     MS. SPRINGER-CHARLES: I'll ask the</p> <p>21     Court Reporter to mark a copy of this August 30th,</p> <p>22     2012 email from Weston Spicer to -- I believe to</p> <p>23     you, Mr. Matthews, and its attachment, as well as</p> <p>24     a September 10th, 2012 email from DW Gorman to</p> <p>25     you, Mr. Matthews, as Exhibit No. 151.</p>
<p style="text-align: right;">Page 67</p> <p>1      A    Yeah. The entity that owned the seven</p> <p>2      percent or five percent, I believe was Mirabia. I</p> <p>3      don't remember, but I think it was a Connecticut</p> <p>4      LLC from ten or fifteen years ago.</p> <p>5      Q    <b>But this has nothing to do with the</b></p> <p>6      <b>hotel?</b></p> <p>7      A    No.</p> <p>8      Q    <b>What is Botticelli Advisors, LLC?</b></p> <p>9      A    I don't know. I don't know. I think it</p> <p>10     was an entity that Craig Galle set up, and I was</p> <p>11     trying to figure out -- I was trying to figure out</p> <p>12     why -- it might have been used to buy some of the</p> <p>13     liens on the project in Nantucket. I really don't</p> <p>14     remember.</p> <p>15     Q    <b>Let's talk now about the Palm House</b></p> <p>16     <b>Hotel, LLLP and Joe Walsh. I'm going to use Joe</b></p> <p>17     <b>Walsh for Joe Walsh, Sr. If I want to make a</b></p> <p>18     <b>distinction with his son, I'll say Joe Walsh, Jr.</b></p> <p>19     A    Okay.</p> <p>20     Q    <b>So every time I say Joe Walsh, I'm</b></p> <p>21     <b>speaking about Joe Walsh, Sr. to make the record</b></p> <p>22     <b>clear.</b></p> <p>23     <b>When did you first meet Joe Walsh?</b></p> <p>24     A    I don't know the year. Maybe five or</p> <p>25     six years ago.</p>	<p style="text-align: right;">Page 69</p> <p>1      (SEC Exhibit No. 151 was</p> <p>2      marked for identification.)</p> <p>3      BY MS. SPRINGER-CHARLES:</p> <p>4      Q    Mr. Matthews, I'm showing you what's</p> <p>5      been marked as Exhibit 151.</p> <p>6      My first question is: Did you receive</p> <p>7      these emails?</p> <p>8      A    Yes.</p> <p>9      Q    Did you ever execute the agreements</p> <p>10     attached to these -- well, to the first email?</p> <p>11     A    I don't know. Oh, no, I never signed</p> <p>12     this. Is this a commission agreement? Yeah. No,</p> <p>13     I never signed this.</p> <p>14     Q    Did you agree verbally to pay Weston</p> <p>15     Spicer, Dan Gorman, you know, in accordance with</p> <p>16     the terms that are in this agreement?</p> <p>17     A    No.</p> <p>18     Q    At some point that relationship with</p> <p>19     Gorman and Spicer went south, correct?</p> <p>20     A    Yes.</p> <p>21     Q    And why was that?</p> <p>22     A    I believe it had to do with the fact</p> <p>23     that they were trying to blackmail us.</p> <p>24     Q    Well, what were they supposed to get out</p> <p>25     of, you know, bringing Payne and Walsh to the</p>

Page 70	Page 72
<p>1      <b>table to help you with financing, like what were</b>  2      <b>they going to get out of it?</b></p> <p>3      A Well, originally, we talked about how  4      karma plays a big role, and if you help me out,  5      down the road I'll help you out. At one point, I  6      think I was -- depending when the project was  7      over, I was going to give them some kind of  8      finder's fee. We never really decided what it was  9      going to be.</p> <p>10     Q <b>I'm showing you what's been previously</b>  11     <b>introduced as Exhibit No. 77. It's a composite</b>  12     <b>email -- a composite exhibit of emails related to,</b>  13     <b>I think, you know, the relationship between</b>  14     <b>yourself and Gorman and Spicer, as well as Joe</b>  15     <b>Walsh and Mark Payne. If you just take a look</b>  16     <b>through this. Ultimately, it looks like Joe</b>  17     <b>Walsh -- one of Joe Walsh's companies loaned you</b>  18     <b>fifty thousand dollars to be able to pay Gorman</b>  19     <b>and Spicer. Please let me know if that's true.</b></p> <p>20     A Yeah. I don't know if it was a loan as  21     much as I thought Joe was paying them the money  22     to -- oh, yes, I remember. He said it was a loan.  23     I remember him saying it was a loan, and I  24     remember thinking that he never agreed to lend me  25     the money. He was just doing it.</p>	<p>1      I mean, in my eyes, I didn't owe them money. And  2      he was -- in fact, I negotiated for this deal to  3      get it done for, I believe, thirty or thirty-five  4      thousand, and Joe told Mr. Perlman, oh, I'll give  5      you fifty thousand dollars. So in my mind, there  6      was no way I was going to borrow money to pay more  7      than what I already had negotiated the deal for.</p> <p>8      Q In these emails, there is -- let's see.  9      Let's just look at the first page, for example,  10     the first email, 1/7/2013. It's from Mark Payne  11     to Joe and yourself, correct? Do you see that?  12     The first page. Do you see that email?</p> <p>13     A Yes.</p> <p>14     Q And so you received this email, correct?</p> <p>15     A Yes.</p> <p>16     Q The second paragraph says, "How do you  17     want to play this on the money transfer? It could  18     go to Bob's lawyer account, and then it keeps  19     USREDA away from the money trail. It would be as  20     if the money went to Gorman from Bob's lawyer's  21     escrow, which I think probably is the best way to  22     go."</p> <p>23     Do you know why Mark Payne was  24     suggesting that the transaction be structured this  25     way?</p>
<p style="text-align: center;">Page 71</p> <p>1      Q But it does say in there that's it a  2      loan, correct?</p> <p>3      A I do see what it says, yes.</p> <p>4      Q Okay.</p> <p>5      What did you think, although it says  6      this is a loan to Bob Matthews --</p> <p>7      A I thought that Joe and Marcus were  8      trying to get rid of these two gentlemen because  9      they wouldn't -- they kept threatening suits and  10     harassment, and I think they thought it was  11     cheaper just to give them money instead of  12     fighting them. They didn't have anything in  13     writing. They just -- I think after they asked  14     for this, they asked for more. It never really  15     finished.</p> <p>16     Q So -- I mean, the email, the 1/7/2013  17     email in Exhibit No -- I think it's Exhibit No.  18     77, it says, "Tony," and this is Joe Walsh  19     speaking. I think you're on the email. It says,  20     "This is a loan to Bob Matthews and will be taken  21     out of the proceeds of the Palm House eventually."</p> <p>22     Did you tell Bob that -- I mean, did you  23     discuss with Joe whether or not that was going to  24     be the case?</p> <p>25     A No. I never -- I never argued with him.</p>	<p style="text-align: center;">Page 73</p> <p>1      A I have no idea why.</p> <p>2      MR. BUSTO: I have to step out for a  3      phone call.</p> <p>4      (Mr. Busto exits the room.)</p> <p>5      BY MS. SPRINGER-CHARLES:</p> <p>6      Q Do you know where the fifty thousand  7      dollars was coming from? Do you know whose money  8      it was?</p> <p>9      A I don't know where it was. I thought it  10     was Joe's money.</p> <p>11     Q Personal money or EB-5 money?</p> <p>12     A I don't know. I never really -- today,  13     I don't think it was personal money. Then I  14     didn't know what it was.</p> <p>15     Q Okay.</p> <p>16     MS. SPRINGER-CHARLES: I'll ask the  17     Court Reporter to mark --</p> <p>18     BY MS. SPRINGER-CHARLES:</p> <p>19     Q Before I go on, did you receive that  20     fifty thousand dollars from Joe Walsh?</p> <p>21     A No, I don't believe I ever did. I  22     believe it went directly to -- I think Mark maybe  23     be played as the escrow agent. He got the  24     releases and then transferred it over.</p> <p>25     MS. SPRINGER-CHARLES: I'll ask the</p>

Page 74	Page 76
<p>1 Court Reporter to mark a copy of this email, dated  2 1/8/2013 from Daniel Gorman to, I believe, you,  3 Mr. Matthews, as Exhibit No. 152.  4 (SEC Exhibit No. 152 was  5 marked for identification.)  6 MR. REINHART: Is this the original on  7 77?  8 MS. SPRINGER-CHARLES: No. It's a copy.  9 BY MS. SPRINGER-CHARLES:  10 <b>Q I'm showing you what's been marked as  11 Exhibit No. 152, Mr. Matthews.</b>  12 <b>Did you receive this email from Daniel  13 Gorman?</b>  14 A Yes.  15 Q Okay.  16 <b>Did you -- I can tell you, based on our  17 records, it looks like -- I'm not sure exactly if  18 the fifty thousand was transferred or not. I  19 think it may have been transferred.</b>  20 <b>Did you hold back certain funds as  21 repayment of the loan?</b>  22 A No, but the deal that I made for the  23 thirty or thirty-five thousand, I don't remember  24 which, is that he would pay back the loan. He  25 still owns, I think, Bonaventure, my wife, he paid</p>	<p>1 Tony probably sent it.  2 <b>Q But -- well, who would have been holding  3 back the thirteen five hundred to repay the money  4 owed to you, Tony?</b>  5 A No. No. No. Dan made a deal as a  6 gentleman, Bob, if I get this money, I'll pay your  7 wife back part of the money we owe. So I think it  8 might have been twenty-six -- I think he gave me  9 back half the money he owed back.  10 <b>Q So you believe that the fifty thousand  11 dollars was wired directly?</b>  12 A I don't know. I know he got fifty. I  13 don't know where it came from, but I know he got  14 thousand dollars. Yes, that I know. And I know  15 he paid back thirteen five on the loan and still  16 owes more.  17 MS. SPRINGER-CHARLES: I'll ask the  18 Court Reporter to mark a copy of this composite  19 exhibit. It's August 2014 email, it's documents,  20 I think, related to a loan to Dan Gorman that went  21 through HIG as Exhibit No. 153.  22 (SEC Exhibit No. 153 was  23 marked for identification)  24 BY MS. SPRINGER-CHARLES:  25 <b>Q Mr. Matthews, I'm showing you what's</b></p>
<p style="text-align: center;">Page 75</p> <p>1 thirteen five. I think we lent him like  2 twenty-five or thirty just to help him out. So  3 that was part of a loan payback that he never  4 paid. He never paid it off.  5 <b>Q I don't think I'm following.</b>  6 A So Dan Gorman would hound you for money  7 all the time. So I lent him money. I don't how  8 much, but say thirty-five thousand, forty thousand  9 dollars, and as part of doing the deal that we  10 negotiated for the thirty or thirty-five thousand  11 that I negotiated that Joe upped to fifty, I said  12 you have to pay my wife back part of the money you  13 owe me. He said, okay, I'll pay you back the  14 thirteen five of the money. You're getting a  15 check for fifty thousand dollars. You have this  16 loan over here. Hey, Dan, you have to make good  17 on the loan. That's what that was.  18 <b>Q So was thirty-six thousand, five hundred  19 dollars wired to Dan Gorman?</b>  20 A I don't know.  21 <b>Q At or about this time?</b>  22 A Yeah. I don't know.  23 <b>Q Where did the money come from?</b>  24 A I don't know. I have no idea. I  25 believe Tony -- if there was an email to Tony,</p>	<p style="text-align: center;">Page 77</p> <p>1 <b>been marked as Exhibit No. 153.</b>  2 <b>If we look at the first page, Jade Yu  3 sends you an email, correct? Am I correct?</b>  4 A Yes. I'm just reading it. Yes.  5 <b>Q Did you -- this is completely separate  6 and apart from what we were talking about earlier?</b>  7 A Yes. Yes.  8 <b>Q Okay.</b>  9 <b>And so did you lend Dan Gorman five  10 thousand dollars?</b>  11 A Yes.  12 <b>Q Okay.</b>  13 A Well, I don't know if I did. I might've  14 lent it to Frank. I don't remember.  15 <b>Q Did you direct Jade to wire Frank five  16 thousand -- wire HIG five thousand dollars --</b>  17 A Yes. Yes.  18 <b>Q -- in order to make a loan to Gorman and  19 his company Hummingbird, I believe? Because if we  20 looked at the document attached --</b>  21 A Yes.  22 <b>Q Yes?</b>  23 A Yes.  24 <b>Q Okay.</b>  25 <b>Did this have anything to do with the</b></p>

<p style="text-align: right;">Page 78</p> <p>1       <b>hotel project?</b>  2       A I would say -- unless I'm paying Frank  3       money towards whatever money I owe him, I would  4       say no.  5       <b>Q And you can take a look at these emails</b>  6       <b>to see if there's any discussion about paying</b>  7       <b>Frank. I don't think I noticed it.</b>  8       MR. REINHART: Take a second to look at  9       the whole packet, and see if it refreshes your  10       memory of what the transaction was. And then  11       answer Ms. Springer's question, whether this has  12       anything to do with the hotel?  13       THE WITNESS: I mean, the answer is as  14       follows: It has something do with the hotel in  15       the sense that this guy wouldn't quit. He would  16       keep coming back, and we were trying to,  17       basically, give him money, so he wouldn't do new  18       lawsuits. And so it was like get rid of Danny,  19       like, please, get rid of Danny. That's what this  20       was about.  21       BY MS. SPRINGER-CHARLES:  22       <b>Q But this was a loan? You didn't give</b>  23       <b>him any money, correct?</b>  24       MR. REINHART: Go back a second. There's  25       a ground lease attached to this for a Hummingbird</p>	<p style="text-align: right;">Page 80</p> <p>1       BY MS. SPRINGER-CHARLES:  2       <b>Q I'm showing you what's been marked as</b>  3       <b>Exhibit No. 154, Mr. Matthews. Look through the</b>  4       <b>packet, and tell me did you send or receive these</b>  5       <b>emails, and then tell me what this is about.</b>  6       A It looks like another mutual release to  7       our friend Dan.  8       <b>Q Okay.</b>  9       <b>Did you pay this seventy-five hundred</b>  10       <b>dollars?</b>  11       A Probably. Was it signed?  12       <b>Q That's my next question. Did you</b>  13       <b>execute this document, and did you pay?</b>  14       A I don't know. If I were to guess with  15       the memory thing that I probably paid it. It was  16       another attempt to -- because he -- I believe he  17       said, oh, the first release wasn't valid because  18       it didn't have enough, so it was just another  19       attempt.  20       <b>Q And this was related to the</b>  21       <b>relationship, the Palm House relationship,</b>  22       <b>correct?</b>  23       A Yes.  24       <b>Q Okay.</b>  25       The last thing I want to introduce on</p>
<p style="text-align: right;">Page 79</p> <p>1       project. There's also a reference in the email to  2       an address on Lucerne Avenue in Lake Worth.  3       THE WITNESS: Right. Frank was trying  4       to help him get financing.  5       MR. REINHART: Explain. Explain the  6       transaction in full --  7       THE WITNESS: Frank was trying to help  8       him get financing, but in my mind, it was still  9       Danny looking for money.  10       BY MS. SPRINGER-CHARLES:  11       <b>Q But none of this was related to the Palm</b>  12       <b>House Hotel?</b>  13       A Only in the sense that it was cheaper to  14       give him five grand to go away, because he was  15       always threatening you with a legal for years,  16       texts, unbelievable, threats.  17       MS. SPRINGER-CHARLES: I'll ask the  18       Court Reporter to mark a copy of this 9/13/2014  19       email from Robert Matthews to Jade Yu. It's a  20       composite exhibit. There's several documents on  21       September -- several emails and attached  22       documents, dated September 13th, 2014 and  23       September 15th, 2014 as Exhibit No. 154.  24       (SEC Exhibit No. 154 was  25       marked for identification.)</p>	<p style="text-align: right;">Page 81</p> <p>1       <b>this particular topic is this document -- this</b>  2       <b>email, dated 5/13/2015. It's from D. Gorman to</b>  3       <b>you, Mr. Matthews. And it attaches a filed -- a</b>  4       <b>copy of an MOU.</b>  5       <b>(SEC Exhibit No. 155 was</b>  6       <b>marked for identification.)</b>  7       <b>BY MS. SPRINGER-CHARLES:</b>  8       <b>Q Mr. Matthews, I'm showing you what's</b>  9       <b>been marked as Exhibit 155.</b>  10       <b>Can you tell me what this is about?</b>  11       A Oh, this is -- this is Dan further  12       extortion. This is Dan saying that he filed a  13       thing on the land records. So he put in an  14       unsigned MOU on the land records to try to hurt  15       me.  16       <b>Q What's the status of this relationship</b>  17       <b>with Dan?</b>  18       A About -- about eight months ago after  19       literally thousands of text messages, I called him  20       up and I told him that if he doesn't stop trying  21       to extort him, I'm just going to go the FBI and  22       that I'm not going to take it anymore. I've had  23       it. You can't keep doing this. And he finally  24       stopped texting me. I paid him more money out of  25       personal money to leave me alone, and so finally</p>

<p>1 he stopped.</p> <p>2       Q In the Memorandum of Understanding</p> <p>3 agreement here, he says -- well, it says, "Daniel</p> <p>4 Gorman reached an agreement in writing with Robert</p> <p>5 Matthews, et al. in 2013 to help raise money for</p> <p>6 him to repurchase the Palm House Hotel in Palm</p> <p>7 Beach, Florida through the Southeast Regional</p> <p>8 Office of the EB-5 program with Joseph Walsh and</p> <p>9 Marcus Payne."</p> <p>10      I'll ask again, was there any written</p> <p>11 agreement between --</p> <p>12      A Absolutely not.</p> <p>13      Q -- between either you, Mr. Gorman, Mr.</p> <p>14 Spicer, or Mr. Perlman, and/or Mr. Walsh, and Mr.</p> <p>15 Payne?</p> <p>16      A Oh, I don't know what Mr. Walsh signed.</p> <p>17      Q Okay.</p> <p>18      A I can tell you I never signed anything.</p> <p>19      Q Okay.</p> <p>20      Did you primarily interact with Mr.</p> <p>21 Payne, you know, when it came to dealing with Palm</p> <p>22 House Hotel, LLLP?</p> <p>23      A For some issues. Mark was the same one.</p> <p>24 So for some issues, yes.</p> <p>25      Q Just tell me how the relationship worked</p>	<p>1 grand at one point. I paid him back. We never</p> <p>2 had anything in writing. He was like a handshake</p> <p>3 guy. He endeared himself with a family. You</p> <p>4 know, he bought by daughter a camera once and -- I</p> <p>5 don't know. I think he forgot to buy the other</p> <p>6 daughter something. I said you can't give one</p> <p>7 daughter something and not the other. That's not</p> <p>8 good. I ended up paying him back for the camera.</p> <p>9       Q Why did you pay him back for the camera?</p> <p>10      A Because after he did it, then he said,</p> <p>11 oh, well, you know, you never paid me for the</p> <p>12 camera. I said, Joe, I thought you -- okay, fine,</p> <p>13 I'll pay you for the camera. He just was -- he</p> <p>14 was a very strange person, a very strange person.</p> <p>15 He felt like he was God. He's in charge.</p> <p>16      And Mark helped with the relationship in</p> <p>17 the sense that Mark was just like a regular guy. I</p> <p>18 mean, I would have a cigar every once in a while</p> <p>19 with Mark, and, you know, he just -- where Joe was</p> <p>20 just off spending money and buying cars and</p> <p>21 Winnebagos. You know, he was just doing all this</p> <p>22 crazy stuff, you know. And he wasn't nice to</p> <p>23 women. He didn't treat my wife very well a couple</p> <p>24 of times. Just really not nice with women, and it</p> <p>25 upset me. That's a general outline.</p>
<p>1       Page 83</p> <p>2 between you and Mr. Walsh versus you and Mr.</p> <p>3 Payne, like what issues did you discuss with Mr.</p> <p>4 Payne versus Mr. Walsh? How did things work?</p> <p>5      A Well, when I met all these guys in my</p> <p>6 living room, Dan and Weston and all these guys</p> <p>7 originally, Mark was the only one that I, more or</p> <p>8 less, trusted. He seemed straight. He took</p> <p>9 notes, copious notes, and he seemed very</p> <p>10 organized. And we became friends. Joe was a</p> <p>11 complete control freak, and I think he has some</p> <p>12 issues. I think he's got some serious issues.</p> <p>13      So if it had do with money for the Palm</p> <p>14 House, we used to have to beg Joe to send money to</p> <p>15 the hotel and -- and I would ask Mark, hey, Mark,</p> <p>16 you know, what's going on? And then I would find</p> <p>17 out through Tony Reitz, his CFO, that Joe would</p> <p>18 say, Oh, you know, I don't have any money to send</p> <p>19 when, in fact, we knew that he really did have</p> <p>20 money to send.</p> <p>21      But I would say it was a friendly</p> <p>22 relationship. Joe was -- he became a friend. I</p> <p>23 did a birthday party for him. He stayed at the</p> <p>24 house a lot of times. And in the beginning, I</p> <p>25 truly thought he was a lifeline and a friend. I</p> <p>  borrowed money from him. I borrowed three hundred</p>	<p>1       Page 85</p> <p>2      Q I mean, I planned to get into it later,</p> <p>3 but there's no time like the present. When did</p> <p>4 things end between -- like what happened between</p> <p>5 you and Mr. Walsh? When did things just go south?</p> <p>6 What happened?</p> <p>7      Would you like a minute? We can go off</p> <p>8 the record for a minute.</p> <p>9      A I'm fine.</p> <p>10     My mom died April 26th, and my brother,</p> <p>11 who I never got along with, I had an older brother</p> <p>12 David, and he was just -- he was like Joe. He was</p> <p>13 a nut job. He was always jealous that the younger</p> <p>14 did better. And my mom died at the ocean back at</p> <p>15 the house, and we'll all holding hands, and</p> <p>16 everybody was crying. I have two sisters and a</p> <p>17 brother, and we're all holding her hand when she</p> <p>18 took her last breath. I looked up, and I saw</p> <p>19 David, and David wasn't crying. And I remember</p> <p>20 thinking, wow, that's pretty scary.</p> <p>21     And he met Joe. And Joe wanted to hire</p> <p>22 him. Joe loved me. He thought I was wonder boy.</p> <p>23 And, you know, I had a big career. I had thirty</p> <p>24 years. I started with two grand and tumbled it up</p> <p>25 to a lot of money. Until that blew up, I was --</p> <p>  you know, I was the guy that made it happen.</p>

<p style="text-align: right;">Page 86</p> <p>1        And I said to David, please don't go    2 work for Joe, because if you work for Joe, you    3 know, he's the one that's giving me the money for    4 the hotel. I want to just be -- let's just be    5 brothers. So we made up when my mom died, and we    6 started talking because we didn't talk before    7 that. And he said, I'd rather have a brother    8 than, you know, work for Joe.    9        And he was looking for a job. He was    10 working for General Petraeus in some direct thing    11 overseas, and they were getting bombed, and one of    12 his friends got killed. And I said, look, I hope    13 you find something in the United States.    14        And my mom died, and he went out with    15 Joe on a ride. Joe took him in some new it    16 Rolls-Royce convertible and told him he'd pay    17 him -- I don't know, two hundred and fifty    18 thousand dollar bonus to sign up, and, you know,    19 you're going to be my CFO. And David took the job    20 with him after he promised me he would never work    21 for him.    22        And after he took that job, it was    23 around the same time that Joe had seen my model I    24 did. I hired a firm out of London to do the    25 design for the hotel, and it was a phenomenal -- I</p>	<p style="text-align: right;">Page 88</p> <p>1        Nantucket, my brother didn't come. And that's    2 when a week before the thing getting rid of Ryan    3 Black. He broke into the hotel with cutters we    4 have. They break into the hotel, and he took it    5 over with ten big guys. We'd found out that he'd    6 hacked all the computers. We know he hacked them    7 because Mark had an email from Joe, and the email    8 was from China, and it was an email that I had    9 sent to Mark. And Mark said to Joe, how did you    10 get these? He said, oh, we went in and we hacked    11 all of the computers from this guy -- from Ryan.    12        So they had hacked the computer months    13 earlier. Remember, I told you Ryan got the    14 computers? Well, I didn't know that he got the    15 computers and put together a team to go in, and so    16 he had every email from the beginning of time. He    17 stole from the server. And they broke into the    18 hotel. And then they -- his theory was, I own one    19 percent of the hotel. And my theory was, well,    20 you can own one percent of IBM, it doesn't mean    21 you can break in and just take it.    22        And his lawyer at the time was Henry    23 Handler, who was Joe's lawyer, and he claimed self    24 help. You know, they made all these claims. But    25 the idea was simple. They were going to take the</p>
<p style="text-align: right;">Page 87</p> <p>1        found who was hospitality of the -- this woman won    2 hospitality of the world award in Gemor. And she    3 did a beautiful, beautiful design. It was her    4 first project in the US.    5        And -- and they saw the unit. Ryan and    6 Joe and David, three of my friends and my own    7 brother, and they saw that unit, and I don't know.    8 I guess it's just greed and jealousy. But what    9 happened next was that there was a phone call.    10 Mark Payne told me about the phone call. He took    11 notes. And he was in the car with Joe. And Joe    12 was talking with Ryan and David, and they were    13 splitting up the division of what they were going    14 to do.    15        They're idea was, they were not going to    16 fund me anymore. They were going to starve me out    17 of money. They even went so far to say that we're    18 going accuse him of stealing all this money, and    19 we're going to get him in jail. And then they    20 laughed, because they knew I'm claustrophobic, and    21 they laughed because my brother told them that I    22 was claustrophobic and that that would really get    23 me. And they schemed, and they said, we're going    24 to take the hotel. And that's just what they did.    25        When my mom's ashes were getting done in</p>	<p style="text-align: right;">Page 89</p> <p>1        units, and they were going to sell the condos, and    2 they were splitting it up. I think David got    3 twenty-five percent. I think Ryan got like    4 twenty-five or twenty-six. And I think Joe got    5 the majority.    6        And that's when it went south. They    7 stopped funding the hotel. I used all the money    8 that I had left, and I put into it. And they then    9 went up to Gerry, and they went to his house. And    10 they went to his wife, because they knew Gerry's    11 wife Krista and I didn't get along great. They    12 went to Krista, and they were in her house for    13 about thirty, forty minutes. Krista called my    14 brother, and he came into the house. He lives in    15 the country. He didn't know what the story was.    16 And he went to the house. And he had a gun. He    17 holds a gun. And he walked in. He saw that it    18 was them. He took his gun out, put it on top of    19 the refrigerator and sat down. And they,    20 basically, told him they were going to do exactly    21 what they've done. They said, if you don't give    22 us -- basically, if you don't give us the interest    23 in the LLC right now, we're going to go after you,    24 we're going to go after your brother, you have no    25 idea what we're going to. And they trapped him.</p>

Page 90	Page 92
<p>1 They had -- I think they had ex-FBI agents go to  2 his house. They -- they didn't quit, and they  3 haven't quit to this day.</p> <p>4 The irony is that Joe's using this  5 stolen money that he stole that was supposed to go  6 in the hotel, about three million dollars, and  7 he's paying it to Henry Handler at six hundred  8 dollars an hour who knows Joe's crazy, doesn't  9 really care, and is literally using the stolen  10 money to fight me.</p> <p>11 And they've done it. My house is in  12 foreclosure. I lose it April 6th. My bank  13 accounts are about fourteen dollars. I just  14 bothered eight hundred and sixty dollars from a  15 friend of mine, so I could get the electric bill  16 paid. And I'm fighting for my life trying to  17 finish that hotel. And as God is my witness, I'm  18 going to come out of this, and I'm going to get  19 that hotel built.</p> <p>20 The hotel is the one that blew me up  21 when I lost my three hundred and thirty-five  22 million dollars. It was because I signed -- I  23 personally guaranteed debt. It was a nonrecourse  24 loan, so you're not personally responsible. And I  25 signed debt without a lawyer, and I gave them</p>	<p>1 it. I'd always forgive him. I always forgave  2 because I thought you're suppose to forgive and  3 move on. But I know now I could never -- I mean,  4 I've forgiven him because I can't hate. I've  5 forgiven him. I even prayed for him, all of them.  6 I prayed for Joe, Ryan, my brother, all of them,  7 but I'm never going to do a deal with them again,  8 I can tell you that.</p> <p>9 So that's how it blew up. Joe -- I  10 don't think Joe ever planned on giving me the  11 money. I found out when he would get money in  12 from Tony Reitz, the CFO, and I would find out Joe  13 would get in like three and a half, four million  14 dollars. Then Nicky would beg me money for the  15 construction. And then I'd send an email to Joe,  16 and Joe would say, oh, well, we only got in five  17 hundred thousand, I can't give you any money this  18 week. It was this control game that was just --  19 it wasn't true.</p> <p>20 MR. REINHART: Okay.</p> <p>21 THE WITNESS: Sorry. I'm sorry. I was  22 rambling.</p> <p>23 MR. REINHART: No. No.  24 Can we take a three-minute break?</p> <p>25 THE WITNESS: Yes. I could use a glass</p>
Page 91	Page 93
<p>1 Wallingford, Elm Street, JP Morgan Chase, all  2 about almost two million square feet of my  3 buildings I put up as collateral, and I gave them  4 an assignment of the rent. So it means if you  5 didn't pay this back, they would take the  6 assignment of the rents. They would pay  7 themselves and not pay the mortgage. So that's  8 what they did.</p> <p>9 I went to a closing, all the papers were  10 signed for an institute to borrow sixty-five  11 million dollars, and the institute, it was a  12 credit union, they blew up in '08, '09. And I had  13 really great lender liability suit, but seeing as  14 I never sued anybody in my life, I just chocked it  15 up to, you know, being arrogant. I was pretty  16 arrogant back then, and I thought it was God's way  17 of humbling me. I've been trying to tell him  18 lately that it worked. I'm very humble.</p> <p>19 So that's how it blew up. I lost my  20 brother. Pretty much maybe spoke to him once, but  21 never spoke to him again. He planned the whole  22 thing. He went in. We told Joe -- Gerry and I  23 told Joe, he will never make it with you a year.  24 His only mission is to go in and to hurt me. He's  25 had this hate from a long time ago. I didn't know</p>	<p>1 of water. I'm sorry.</p> <p>2 MS. SPRINGER-CHARLES: Sure.  3 Let's go off the record.  4 (A brief recess was taken.)</p> <p>5 MS. SPRINGER-CHARLES: Back on the  6 record at 10:58 a.m. on January 31st, 2017.</p> <p>7 BY MS. SPRINGER-CHARLES:</p> <p>8 Q Mr. Matthews, did you have any  9 substantive discussions with any members of the  10 staff while we were off the record about the  11 matter?</p> <p>12 A No.</p> <p>13 Q We talked about your daughters. We  14 looked at pictures of your daughters. Is that  15 what we did?</p> <p>16 A Yes.</p> <p>17 Q Before we went off the record, we were  18 talking about what happened to cause Joe Walsh to  19 stop funding the building of the hotel. When did  20 you show them the mock up that Inga, I think, had  21 created? When was that? I believe you said your  22 mom passed in April?</p> <p>23 A Yeah.</p> <p>24 Q And so when after that did you show them  25 that unit?</p>

Page 94	Page 96
<p>1        A It could've been before. I'm not really 2        good with time frames.</p> <p>3        Q <b>Okay. It was at or about that time?</b></p> <p>4        A Yeah. It could've been before that, 5        just to be clear. Yeah.</p> <p>6        Q <b>Okay.</b></p> <p>7        <b>And I guess my ultimate question is: Why 8        would they want to take the hotel from you?</b></p> <p>9        A Oh, I think I figured that answer out. 10       Yeah. I think it's about greed and jealousy. I 11       really believe that's the answer. They wanted to 12       take it, because in Joe's mind, he was getting 13       this money, so in his mind, it was his hotel. And 14       I think Ryan and David, your brother and the guy 15       that you're trying to help out who had a baby that 16       you thought was your friend, I think they turned 17       over absolute -- it turned out really well. Like 18       you should see it. The model's really good. We 19       were preselling them. We had like five presold. 20       It was working really well. So I think that 21       ultimately was the answer.</p> <p>22       MR. REINHART: To help her with the time 23       frame on the model, let's just kind of walk 24       through the time frame. When did you reacquire 25       the hotel? That was --</p>	<p>1        finished -- we were building three units, and we 2        finished one completely. So it would be like a 3        hotel room with all of the furniture made, all the 4        beds, all of the, you know, TVs, a finished unit, 5        like if you went in Miami to look at a model, like 6        a condo model.</p> <p>7        MR. GALDENCIO: Was this a physical --</p> <p>8        THE WITNESS: Yeah, physical. It's a 9        room. Like I think it's room 122 or 123. So it 10       would be like a mock up of what all the rooms 11       would look like.</p> <p>12       MR. GALDENCIO: And that's inside the 13       hotel?</p> <p>14       THE WITNESS: Yes.</p> <p>15       MR. GALDENCIO: And you say presold, how 16       do you mean presold?</p> <p>17       THE WITNESS: Well, we started showing 18       these for sale, you know, showing these units for 19       sale. We got the condo docs done. We never 20       actually sold anything, but we were showing these 21       for sale when people were interested.</p> <p>22       MR. GALDENCIO: So these were hotel 23       rooms that would be condo?</p> <p>24       THE WITNESS: Yeah, condo hotel. It was 25       the last approved condo hotel in Palm Beach.</p>
<p style="text-align: center;">Page 95</p> <p>1        MS. SPRINGER-CHARLES: August 2013? 2        THE WITNESS: August 2013. 3        MR. REINHART: And your mom passed in? 4        April -- 5        MS. SPRINGER-CHARLES: April 2014? 6        THE WITNESS: April 2014. 7        MR. REINHART: Okay. So, obviously, 8        somewhere in that window is when you would've 9        shown the model, right?</p> <p>10       THE WITNESS: Yeah. 11       MR. REINHART: You had reacquired it -- 12       THE WITNESS: It wasn't when I acquired 13        it. 14       MS. SPRINGER-CHARLES: Right. 15       THE WITNESS: We had to do a lot of 16        work. It was after that. 17       MR. REINHART: So probably early 2014, I 18        would guess?</p> <p>19       THE WITNESS: Yes. Uh-huh. 20       MR. REINHART: Okay. If that helps. 21       MR. GALDENCIO: I'm sorry. Can I -- I'm 22        just a little confused on the model. What is the 23        model of?</p> <p>24       THE WITNESS: So we built -- not like a 25        model, like a house model, but we built a -- we</p>	<p style="text-align: center;">Page 97</p> <p>1        MR. GALDENCIO: And was the idea of the 2        condo being a hundred percent ownership in one 3        deed, or a timeshare-type of thing?</p> <p>4        THE WITNESS: The concept for the condo 5        docs was to -- you would own an unit, not a 6        timeshare. You'd own a hundred percent.</p> <p>7        BY MS. SPRINGER-CHARLES: 8        Q Based on the records I have, Crystal, 9        correct me if I'm wrong, but I think subsequent to 10       April of 2014, Joe Walsh continued to fund you for 11       a brief period even after that. So I just want to 12       understand if anything in particular happened 13        where he said, and now I'm just not going to send 14        anymore funds to you? Did a particular thing 15        happen or --</p> <p>16       A I don't remember anything happening. I 17        just think after that date it would've -- David 18        would've got in there, and I don't know after --</p> <p>19       MR. REINHART: I think her question is: 20        Did there come a point when you'd contact Mr. 21        Walsh and say, I need additional funds, and he 22        goes, no, I'm not giving you anything?</p> <p>23       THE WITNESS: No, I don't remember that. 24       I just remember he never sent anymore money. I 25        mean, it was obvious once he broke into the hotel</p>

Page 98	Page 100
<p>1 with Ryan, they were trying to take over 2 physically, I mean.</p> <p>3 BY MS. SPRINGER-CHARLES:</p> <p>4 Q But prior to the break-in, is there a 5 time where you went and you said, Mr. Walsh, we 6 need more funds, Nick needs more money, and he 7 said, no, I'm not --</p> <p>8 A Oh, I'm sure -- I'm sure --</p> <p>9 MR. REINHART: What is your question?</p> <p>10 THE WITNESS: Okay. I'm sorry.</p> <p>11 I'm sure there's emails asking for 12 money. I don't know the date, but I'm sure we 13 asked him for money, and he just stopped sending 14 money.</p> <p>15 BY MS. SPRINGER-CHARLES:</p> <p>16 Q And did you ask him why?</p> <p>17 A I don't know if he was even speaking to 18 me then. He never really said why.</p> <p>19 Q You know, it's just strange for me that 20 he's sending money all the time, and, you know, 21 the hotel is being built and things are 22 progressing, and then all of a sudden the money 23 stops coming. Did things just happen really 24 quickly and so that's why -- I'm just trying to 25 understand.</p>	<p>1 was going to do.</p> <p>2 BY MS. SPRINGER-CHARLES:</p> <p>3 Q I'm showing you what's been previously 4 marked as Exhibit No. 78. I'm only putting this 5 in front of you to see if it'll jog your memory, 6 but I want to talk about any other business 7 dealings that you may have had with John Marcus 8 Payne.</p> <p>9 What other business dealings did you 10 have with him over the years?</p> <p>11 A A lot. He was always trying to find 12 money on deals for something. The top one is some 13 Indian guy. I believe he was trying to get 14 Hamad --</p> <p>15 Q And I think all of these emails are 16 related to drafting an agreement related to this 17 Rujani individual?</p> <p>18 A Yeah. I mean, it looks to me he was 19 trying to get people to do deals. I mean, we 20 looked at the deal in Las Vegas. The 21 Fountainbleau at one point that Joe looked at. I 22 met with people. So these look like they're all 23 about trying to do deals. There was like a 24 million things he was trying to do.</p> <p>25 Q Did you ever successfully do any deals</p>
<p style="text-align: center;">Page 99</p> <p>1 A He wanted it. He specifically was not 2 going to fund anymore. And I think at the time 3 now looking back what happened was that it wasn't 4 his money. The money he talked about putting in 5 that was personal money because he made like -- I 6 think he made like eighteen or twenty million 7 dollars on the Royal Palm buildings that he did.</p> <p>8 And so I think that he was using the 9 EB-5 money as his own personal piggy bank is what 10 I think now. And I think he had spent a lot of 11 money and knew he was -- I was never going to 12 catch up. I was never going to get the money 13 because he'd already spent it. I think he sort of 14 knew it all along, that that's what was going to 15 go on, so -- but I can't think of one specific 16 event, no.</p> <p>17 MR. REINHART: So you think the reason 18 he stopped funding you was that he was running out 19 of money? Is that what you're saying?</p> <p>20 THE WITNESS: No. I think he had money, 21 and he wanted to keep it, and he was never going 22 to fund me the whole deal. That's what I believe 23 in my heart. Yeah. If he stopped funding me and 24 I gave him the hotel back, then it would be his. 25 Then he could continue funding and do whatever he</p>	<p style="text-align: center;">Page 101</p> <p>1 with Mark Payne?</p> <p>2 A No. He tried really hard. He tried -- 3 he's still trying to get me financed.</p> <p>4 Q I'm showing you what's been marked as 5 Exhibit No. 79. Can you tell me if you ever 6 transferred any funds to Mr. Payne at this time in 7 conjunction with this email and invoice that's 8 attached to the email?</p> <p>9 A I don't know. I mean, if you didn't 10 show me this, I would say I never even saw it, but 11 I believe it's true. I don't know if he billed me 12 for this or not. I don't know.</p> <p>13 Q Did Mark Payne go to Hong Kong to talk 14 to Joe Walsh surrounding the issues concerning 15 EB-5 and Palm House?</p> <p>16 A I have no idea.</p> <p>17 Q Did he tell you that he did?</p> <p>18 A I don't recall.</p> <p>19 Q And did you at on or about March 4th, 20 2016, do you recall sending Mark Payne fifteen 21 thousand dollars?</p> <p>22 A 2016?</p> <p>23 Q 2016.</p> <p>24 A Wow, that's not that long ago.</p> <p>25 Q It's last year.</p>

Page 102	Page 104
<p>1       A Yeah.</p> <p>2       <b>Q And then the last email in Exhibit No.</b></p> <p>3       <b>79, it's May 11th, 2016. It says, On Funds. And</b></p> <p>4       <b>this says, "Bob, if you're going to send funds,</b></p> <p>5       <b>here are coordinates. Still at Chase Bank, but</b></p> <p>6       <b>with new account number."</b></p> <p>7       <b>Do you recall if you sent between March</b></p> <p>8       <b>and May, did you send Mr. Payne any funds?</b></p> <p>9       A I don't recall. I'd be surprised if I</p> <p>10      did. I think this was -- oh, I know what this</p> <p>11      was. This was for him to go to -- this was for</p> <p>12      him to go to Hong Kong and meet with Joe, and I</p> <p>13      believe he did go to Hong Kong and meet with Joe.</p> <p>14      And he was trying to resolve all the lawsuits.</p> <p>15       <b>Q And did you pay him fifteen thousand</b></p> <p>16       <b>dollars?</b></p> <p>17      A I don't think I did. I don't think I</p> <p>18      did. I didn't have any money, so there's no way I</p> <p>19      could've paid him fifteen thousand dollars.</p> <p>20       <b>Q Did Mark Payne have any -- did he do</b></p> <p>21       <b>anything for you as it related to Bonaventure?</b></p> <p>22      A I don't recall.</p> <p>23       <b>Q Did you have any business dealings with</b></p> <p>24       <b>Mark's brother-in-law regarding a play?</b></p> <p>25      A Oh, his brother-in-law wanted Mia to be</p>	<p>1       second piece of property that Joe wanted to buy</p> <p>2       for -- it's on Clematis Street.</p> <p>3       MS. IVORY: And did this property have</p> <p>4       anything to do directly with Palm House?</p> <p>5       THE WITNESS: No. Only indirectly, that</p> <p>6       it was another one like the one behind the</p> <p>7       property.</p> <p>8       MS. IVORY: Okay.</p> <p>9       And did you ever complete that purchase</p> <p>10      or purchase the property?</p> <p>11      THE WITNESS: No. No. No.</p> <p>12      BY MS. SPRINGER-CHARLES:</p> <p>13       <b>Q What do you mean it was indirectly</b></p> <p>14       <b>related?</b></p> <p>15      A Well, only that it was in that he wanted</p> <p>16      to do another one. We worked on this one. We</p> <p>17      worked on one in Lake Worth. We worked on one</p> <p>18      behind the building. It was going to be all these</p> <p>19      projects. It was this -- you know, I was trying</p> <p>20      do more than one deal.</p> <p>21      MS. IVORY: Thank you.</p> <p>22      BY MS. SPRINGER-CHARLES:</p> <p>23       <b>Q I'm showing you what's been previously</b></p> <p>24       <b>marked as Exhibit No. 80. I want to walk through</b></p> <p>25       <b>these documents because I think what it does is</b></p>
Page 103	Page 105
<p>1       in a play, I think.</p> <p>2       <b>Q You. Okay.</b></p> <p>3      A Wanted Mia. I'm sorry.</p> <p>4       <b>Q Oh, Mia. Okay. I gotcha.</b></p> <p>5      A Mia.</p> <p>6       MR. REINHART: For the record, who's</p> <p>7      Mia?</p> <p>8       THE WITNESS: My wife. She knows.</p> <p>9       MR. REINHART: Well, the record didn't</p> <p>10      know till you said it.</p> <p>11      THE WITNESS: Sorry.</p> <p>12      BY MS. SPRINGER-CHARLES:</p> <p>13       <b>Q Okay.</b></p> <p>14       <b>Did that ever happen?</b></p> <p>15      A No.</p> <p>16       <b>Q Okay.</b></p> <p>17       <b>Did you ever provide Mark Payne with any</b></p> <p>18       <b>funds for any business relationship, other than</b></p> <p>19       <b>Palm House?</b></p> <p>20      A I could've. I don't remember. I mean,</p> <p>21      there could've been fifteen deals he tried to do,</p> <p>22      so I don't remember.</p> <p>23      MS. IVORY: Who is Robert M. Samuels?</p> <p>24      THE WITNESS: He is the -- one of the</p> <p>25      owners of a piece of property that we were -- the</p>	<p>1       <b>it -- do you mind sharing?</b></p> <p>2      MR. REINHART: I don't.</p> <p>3      MS. SPRINGER-CHARLES: Thank you. I</p> <p>4      only have one copy.</p> <p>5      BY MS. SPRINGER-CHARLES:</p> <p>6       <b>Q What it does, as I walk through these</b></p> <p>7       <b>emails and the documents attached, it seems like</b></p> <p>8       <b>it sets out the business relationship that you had</b></p> <p>9       <b>with Joe Walsh. And you'll correct me if I'm</b></p> <p>10       <b>wrong. But the first email here is an April 13th,</b></p> <p>11       <b>2012 email. I think Perlman forwards you an email</b></p> <p>12       <b>that Payne had written to Jeff Perlman. Is that</b></p> <p>13       <b>correct?</b></p> <p>14      A It looks that way, yes.</p> <p>15       <b>Q Okay.</b></p> <p>16       <b>At the bottom of the email, it says --</b></p> <p>17       <b>if we look at the bottom where the word "each"</b></p> <p>18       <b>starts, do you see that first page at the bottom?</b></p> <p>19      A I'm sorry.</p> <p>20       <b>Q It says, Each project.</b></p> <p>21      A Each project, right.</p> <p>22       <b>Q It says, "Each project would require a</b></p> <p>23       <b>thirty thousand dollar deposit by wire transfer to</b></p> <p>24       <b>the USREDA account in Delray beach."</b></p> <p>25      Did you pay a thirty thousand dollar</p>

<p style="text-align: right;">Page 106</p> <p>1      <b>deposit to USREDA?</b></p> <p>2      A I don't think I did. I remember paying</p> <p>3      a fifteen thousand dollar deposit.</p> <p>4      Q Okay.</p> <p>5      I think it might help if you took</p> <p>6      sometime to just look through the emails, because</p> <p>7      I think in chronological order, it sort of spells</p> <p>8      out your agreement and what you're talking about,</p> <p>9      what I think are the agreements. You'll correct</p> <p>10     me if I'm wrong.</p> <p>11     A Okay.</p> <p>12     Q You believe you paid a fifteen thousand</p> <p>13     dollar deposit, correct?</p> <p>14     A Yes.</p> <p>15     Q Okay.</p> <p>16     Why didn't you pay the other fifteen</p> <p>17     thousand dollars?</p> <p>18     A I think I negotiated down to fifteen is</p> <p>19     what I believe happened.</p> <p>20     Q Okay.</p> <p>21     When I read these agreements, there's a</p> <p>22     discussion of an upfront interest payment, prepaid</p> <p>23     interest. Did you agree to make prepaid interest</p> <p>24     payments on the loan from Palm House, LLLP to Palm</p> <p>25     House, LLC?</p>	<p style="text-align: right;">Page 108</p> <p>1      A It was to get -- it was to get money to</p> <p>2      be able to buy the hotel now, as opposed to later.</p> <p>3      MR. REINHART: When you say it, do you</p> <p>4      mean the bridge money or the Revere loan?</p> <p>5      THE WITNESS: No. The bridge loan.</p> <p>6      BY MS. SPRINGER-CHARLES:</p> <p>7      Q <b>The bridge loan.</b></p> <p>8      A The bridge loan.</p> <p>9      Q <b>I'm sorry. The bridge loan never</b></p> <p>10     <b>happened, did it?</b></p> <p>11     A No.</p> <p>12     Q Okay.</p> <p>13     A And they were originally going to raise</p> <p>14     sixty-two million dollars. And at one point, we</p> <p>15     talked about a three point two percent. We talked</p> <p>16     about some kind of a present value. There's</p> <p>17     actually emails with present values of what the</p> <p>18     money would be if you didn't pay it. Because I</p> <p>19     think the loan documents that I actually signed</p> <p>20     didn't have that. But at one point, we talked</p> <p>21     about raising money, but if you paid it upfront we</p> <p>22     would be doing net present value on what that</p> <p>23     would come out to be.</p> <p>24     Q <b>Did you agree to doing that with Joe?</b></p> <p>25     A Well, on this one, I did, but the deal</p>
<p style="text-align: right;">Page 107</p> <p>1      A We discussed a number of things.</p> <p>2      Originally, raising sixty-two million dollars and</p> <p>3      paying a LIBOR, plus point eight percent, which</p> <p>4      was around about a two percent deal. And at one</p> <p>5      time we talked about doing a three point two</p> <p>6      percent interest rate. That's actually the only</p> <p>7      document I signed with Joe. That's my signature.</p> <p>8      Q Can you just --</p> <p>9      A The last page.</p> <p>10     Q The Bates number is SEC-REITZAD-0011447?</p> <p>11     A Yeah.</p> <p>12     Q Okay.</p> <p>13     A I think this is the only document I ever</p> <p>14     signed, by the way. And there's the fifteen</p> <p>15     thousand dollars.</p> <p>16     Q Right. I see it.</p> <p>17     A If he raised bridge money, he was going</p> <p>18     to get two percent.</p> <p>19     Q Let's stop there. The Revere loan, was</p> <p>20     that considered bridge money?</p> <p>21     A Say again.</p> <p>22     Q The Revere Capital loan, was that</p> <p>23     considered bridge money?</p> <p>24     A No. No.</p> <p>25     Q Okay.</p>	<p style="text-align: right;">Page 109</p> <p>1      changed. Like I said, this was the only one I</p> <p>2      signed. At this point in time, he was going to</p> <p>3      raise sixty-two million, and I agreed to these</p> <p>4      terms, and I signed it.</p> <p>5      Q <b>When the deal changed, did you document</b></p> <p>6      <b>that?</b></p> <p>7      A Well, I never signed anything else after</p> <p>8      this, I don't think.</p> <p>9      Q Okay.</p> <p>10     A I think after the deal changed, Joe sent</p> <p>11     in another note -- a note document that Ryan, I</p> <p>12     believe, signed and predicated by six months or</p> <p>13     something. I think that's --</p> <p>14     Q <b>The actual loan documents that were</b></p> <p>15     <b>attached to the offering documents?</b></p> <p>16     A I don't know what was attached to what.</p> <p>17     I just know that I went through my emails</p> <p>18     recently, and I saw that there was a loan</p> <p>19     document, and that Ryan signed it. Maybe, let's</p> <p>20     say, I sent it today, and then two days later it</p> <p>21     came back, and he had dated it for six months</p> <p>22     before.</p> <p>23     Q <b>Right. I saw that, and we'll get to</b></p> <p>24     <b>that, as well.</b></p> <p>25     A Yeah. That's the only other thing I</p>

<p style="text-align: right;">Page 110</p> <p>1 know that was signed.  2 MR. REINHART: You said the deal  3 changed. How did -- what did the deal change to?  4 If that's okay?</p> <p>5 MS. SPRINGER-CHARLES: Yeah. Yeah.  6 THE WITNESS: Well, the deal changed a  7 lot. The next point, he was going to raise  8 thirty-nine five. Later on, he talked about  9 raising forty-six five. At one point, he was  10 going to try to keep an ownership interest in it.  11 I think this deal said he would have a back-end  12 ownership of four point four percent. I think  13 later on, he said he wanted ten percent. I mean,  14 it -- it changed. It ended up not being the  15 sixty-two million dollars and not being the LIBOR,  16 plus point zero eight percent. He had changed the  17 deal a lot.</p> <p>18 BY MS. SPRINGER-CHARLES:  19 Q <b>Is the ultimate deal the one that you  20 got Ryan Black to sign? Is that the deal that you  21 were agreeing to?</b></p> <p>22 A Not in my heart, no. I always wanted --  23 I'm a handshake guy. I always thought he'd do the  24 deal. This is the deal. This is the one that I  25 signed. This is the deal that I agreed to. And</p>	<p>1 he like sent this to me, and I think he typed it.  2 Q <b>Can I show you -- these documents,  3 again, are in chronological order. If you go to  4 an email that's dated 11/4/2012, there's an  5 email --</b></p> <p>6 A Oh, sorry. In here?  7 Q <b>In Exhibit No. 80. 11/4/2012. There's  8 an email from Marcus to you. Here.</b></p> <p>9 A A new document?  10 Q <b>Right. And if you turn to the document  11 that's attached, it appears to be similar to the  12 document that you executed.</b></p> <p>13 A Yeah. I don't think I signed that.  14 Q <b>Did you ever sign this one?</b></p> <p>15 A No.  16 Q <b>Because here we see that now the  17 back-end equity interest is ten percent --</b></p> <p>18 A Yeah.  19 MR. REINHART: Shhh, let her finish.  20 THE WITNESS: Sorry.  21 BY MS. SPRINGER-CHARLES:  22 Q <b>It's still four percent -- four point  23 four percent interest, but the back-end equity --  24 I mean, it was, but it changed to ten percent. Do  25 you see that?</b></p>
<p style="text-align: right;">Page 111</p> <p>1 in my mind, that's what it should've been, but --  2 Q <b>So then did you --</b>  3 A I don't even think I read Ryan's. I  4 just remember the interest rate changed. That's  5 all I remember.  6 Q <b>Right.</b>  7 So then are you telling me that you  8 agreed to make this prepaid interest payment of  9 three point two percent?  10 A If he raised me sixty-two five, this  11 deal that I signed, I agreed to that deal.  12 Q <b>Okay.</b>  13 A That is my signature.  14 Q <b>And you also agreed to this back-end  15 equity of shared interest of four point four  16 percent in the project?</b>  17 A At that point in time, before he changed  18 the deal, yes.  19 Q <b>I'm going to represent to you that  20 neither of those terms made it into the loan  21 document that ultimately got sent to investors  22 that were attached to the offering documents. Why  23 is that?</b>  24 A That doesn't surprise me. That's Joe.  25 This deal, I believe, was done my Marcus. I think</p>	<p>1 A Yeah.  2 Q <b>Did you agree to this?</b>  3 A No.  4 Q <b>Okay.</b>  5 <b>Did you sign it?</b>  6 A I'm ninety-nine point nine percent sure  7 the only thing I ever signed was the one that I  8 just showed you, that one.  9 Q <b>And that's the agreement that you --</b>  10 <b>that's what you believe you were supposed to do?</b>  11 A Yes.  12 Q <b>Okay.</b>  13 Let me just take a minute. I want to go  14 through this to see if there's any finer points I  15 want to ask you about.  16 Did you believe that Mark Payne was  17 acting as Joe Walsh's lawyer in this transaction?  18 A No.  19 MR. REINHART: Let's go off the record  20 for just a minute?  21 MS. SPRINGER-CHARLES: Yes.  22 Let's go off the record.  23 (A brief recess was taken.)  24 MS. SPRINGER-CHARLES: Back on the  25 record at 11:26 a.m. on January 31st, 2017.</p>

Page 114	Page 116
<p>1 BY MS. SPRINGER-CHARLES:</p> <p>2 Q Mr. Matthews, did you have any</p> <p>3 substantive discussions with any members of the</p> <p>4 staff while we were off the record?</p> <p>5 A No.</p> <p>6 Q I'm showing you what's been previously</p> <p>7 marked as Exhibit No. 5. It's a composite</p> <p>8 exhibit -- I don't know why I only having two</p> <p>9 exhibits -- of emails between yourself and Jade</p> <p>10 Yu, correct?</p> <p>11 A Yes.</p> <p>12 Q Okay.</p> <p>13 Can you tell me what's being discussed</p> <p>14 in these emails?</p> <p>15 A We were trying to figure out the net</p> <p>16 present value using different discount rates on if</p> <p>17 Joe raised forty-six five and you did a payout,</p> <p>18 you know, what would you -- what would we owe him?</p> <p>19 Q Why forty-six five?</p> <p>20 A Well, this one says forty-six five.</p> <p>21 There's probably one for thirty-nine five. I</p> <p>22 didn't look, but I imagine.</p> <p>23 Q When I looked at them, I think they were</p> <p>24 all discussing the forty-six five.</p> <p>25 A So then that means it has -- well, there</p>	<p>1 A Yeah.</p> <p>2 Q Okay.</p> <p>3 And it says, "Joe, there's an equal</p> <p>4 side," and there's a slash through it --</p> <p>5 A That's not my handwriting.</p> <p>6 Q I think it says honor -- honoring --</p> <p>7 perhaps, honoring number. Is that your</p> <p>8 handwriting?</p> <p>9 A No.</p> <p>10 Q Okay.</p> <p>11 A I don't think it says honoring.</p> <p>12 Q No, you don't. Okay. What does it say</p> <p>13 to you.</p> <p>14 A I don't know.</p> <p>15 Q Okay.</p> <p>16 On the top of that email chain, do you</p> <p>17 see that four million dollars, and in parenthesis</p> <p>18 it says, Joe's fee?</p> <p>19 A Oh, Joe's fee, four million dollars.</p> <p>20 Q I know Jade is sending you that email,</p> <p>21 but do you know what that represents?</p> <p>22 A I think it was the net present value,</p> <p>23 and then deducted with Kevin's fees, because Joe</p> <p>24 was supposed to raise the money, so we were</p> <p>25 deducting what Kevin -- I think it was two eleven</p>
<p style="text-align: center;">Page 115</p> <p>1 you go, 6/17/14. So originally he was going to</p> <p>2 raise thirty-nine five. Then he said he was going</p> <p>3 to raise forty-six five.</p> <p>4 Q Okay.</p> <p>5 A He said that the jobs qualified or</p> <p>6 something. I don't know. I never saw any</p> <p>7 paperwork. That's what he told me.</p> <p>8 Q Why were you doing these calculations at</p> <p>9 or about this, June --</p> <p>10 A Well, I was trying to figure what I had</p> <p>11 left -- of the money, how much was going to be</p> <p>12 able to come to me.</p> <p>13 Q How much money was left --</p> <p>14 A Yeah, to finish the construction. You</p> <p>15 know, we're over budget. We're trying to figure</p> <p>16 out what do we have left to get the job done.</p> <p>17 Q Okay.</p> <p>18 On the first page, whose handwriting --</p> <p>19 it looks like two different handwritings. Whose</p> <p>20 handwriting, if you know, are on these pages?</p> <p>21 A That's my handwriting.</p> <p>22 Q Which one?</p> <p>23 A This part was me. I know my numbers.</p> <p>24 Q So you're pointing to the bottom half of</p> <p>25 the email?</p>	<p style="text-align: center;">Page 117</p> <p>1 he must've been paid at the time.</p> <p>2 Q What does the four million dollars</p> <p>3 represent?</p> <p>4 A Well, this one says, the net present</p> <p>5 value of -- at three point -- I think she made</p> <p>6 different interest rates.</p> <p>7 MR. REINHART: No. Her question is:</p> <p>8 What's Joe getting a four million dollar fee for?</p> <p>9 THE WITNESS: Oh, because we were doing</p> <p>10 present value. It's the interest, what he would</p> <p>11 get for -- so if he raised forty-six five, we</p> <p>12 would get forty-two five for the project.</p> <p>13 BY MS. SPRINGER-CHARLES:</p> <p>14 Q And the four million is supposed to be</p> <p>15 the interest, is that what that's supposed to be?</p> <p>16 A Yeah. Yeah.</p> <p>17 Q Okay.</p> <p>18 A Yeah. See, three point two percent</p> <p>19 interest using a ten percent discount.</p> <p>20 Q Okay. I just want have to make it clear</p> <p>21 on the record.</p> <p>22 A No. Sorry.</p> <p>23 Q I don't want to assume what it says.</p> <p>24 A You're right. You're right.</p> <p>25 Q On 10/23, Jade sends you -- sent an</p>

Page 118	Page 120
<p>1       <b>email. The subject is, Numbers for discussion</b>  2       <b>with Joe. Do you see that --</b></p> <p>3       MR. REINHART: Hold on. Can I go back  4       to the four million dollars? Because I read this  5       differently. I just want to make sure he's clear.</p> <p>6       MS. SPRINGER-CHARLES: Okay.</p> <p>7       MR. REINHART: Are you saying this four  8       million dollars given to Mr. Walsh is an interest  9       payment, or is that a fee he's getting for raising  10      the money?</p> <p>11      THE WITNESS: No. In my mind, it was an  12      interest paid, prepaid interest.</p> <p>13      MR. REINHART: Okay.</p> <p>14      THE WITNESS: That's what I thought. I  15      mean, he did get money on fees. I mean, that's  16      what I think. I'm not a hundred percent sure, but  17      I think that's what it was.</p> <p>18      MR. REINHART: As of June 13th, 2014,  19      how much money did you think he was going to be  20      raising on behalf of the project?</p> <p>21      THE WITNESS: Right there.</p> <p>22      BY MS. SPRINGER-CHARLES:</p> <p>23      <b>Q The forty-six five?</b></p> <p>24      A Forty-six five, yeah.</p> <p>25      MR. REINHART: Okay.</p>	<p>1       <b>sorry? Fourteen, right?</b></p> <p>2       A No. Forty-six five, minus four million  3       two.</p> <p>4       <b>Q Okay.</b></p> <p>5       A Is what? Forty --</p> <p>6       MR. REINHART: So there's fourteen  7       million, five hundred and three dollars left --</p> <p>8       THE WITNESS: Left, right.</p> <p>9       MR. REINHART: -- to be disbursed to  10      finish the project?</p> <p>11      MS. SPRINGER-CHARLES: Right. Okay.</p> <p>12      THE WITNESS: I'm sorry. But I meant  13      you're going to get fourteen, plus twenty-eight.  14      That's why I'm saying that. Okay. Yes. Fourteen,  15      yes.</p> <p>16      BY MS. SPRINGER-CHARLES:</p> <p>17      <b>Q Why were you deducting Kevin's fees?</b></p> <p>18      A Because Joe had made a deal that I  19      signed that he was getting X-amount of money, and  20      he hired Kevin to -- and he wanted me to pay  21      Kevin, so I wasn't going to pay twice.</p> <p>22      <b>Q Why were you paying Kevin?</b></p> <p>23      A Joe asked me to pay Kevin on -- I don't  24      know, some amount of money monthly towards Kevin.</p> <p>25      <b>Q Right. And I saw that, but why didn't</b></p>
<p style="text-align: center;">Page 119</p> <p>1       And -- do you know if I --</p> <p>2       MS. SPRINGER-CHARLES: No. Go ahead.</p> <p>3       MR. REINHART: Okay.</p> <p>4       It says here, twenty-eight million, one  5       sixty-eight received. Is that the amount that you  6       had received toward the project at that point?</p> <p>7       THE WITNESS: Well, there's an email  8       that says Tony's number because we didn't know for  9       sure. Tony said there was twenty-eight one  10      sixty-eight.</p> <p>11      MR. REINHART: Twenty-eight one  12      sixty-eight that had been disbursed to the  13      project?</p> <p>14      THE WITNESS: As of June 10th. What  15      date is this? This is June 13th. So what she's  16      saying to me is, Hey, Bob, if you do this present  17      value at a three point two interest rate, you take  18      out Kevir's fees and you take out Joe's, then  19      you're going to get forty-two, three hundred  20      thousand dollars to finish the project. That's  21      what it says.</p> <p>22      MR. REINHART: Okay.</p> <p>23      THE WITNESS: Yeah.</p> <p>24      BY MS. SPRINGER-CHARLES:</p> <p>25      <b>Q You're going to get how much? I'm</b></p>	<p style="text-align: center;">Page 121</p> <p>1       <b>Joe directly pay Kevin if he hired Kevin?</b></p> <p>2       A I don't know. He wanted -- I think he  3       was just trying to, you know, think I wouldn't  4       remember, you know, get me. Just like the fifteen  5       thousand was supposed to be returned. It never  6       was returned.</p> <p>7       <b>Q The deposit?</b></p> <p>8       A Yeah. It was just Joe.</p> <p>9       <b>Q If we go to 10/23/2014, there's an email</b>  10      <b>that says, Numbers for your discussion with Joe. I</b>  11      <b>think we established it was at or about October</b>  12      <b>21st that Ryan was removed as managing member.</b></p> <p>13      A Sorry. Where is it?</p> <p>14      <b>Q It's in chronological order, so if you</b>  15      <b>go October 23rd, 2014.</b></p> <p>16      A Okay.</p> <p>17      <b>Q It's a spreadsheet attached. Did you</b>  18      <b>have some discussion with Joe about these numbers</b>  19      <b>at or about this time?</b></p> <p>20      A No, I don't think so. I think I was  21      gonna talk to Joe, and I don't think he wanted to  22      talk about it.</p> <p>23      <b>Q What were you going to talk about?</b></p> <p>24      A What's left for money that you have to  25      send in. And he never wanted to talk about that.</p>

<p>Page 122</p> <p>1 I could've, but I don't remember ever talking 2 about it.</p> <p>3 <b>Q Let's look at the last page of this</b> 4 <b>exhibit. This was a separate spreadsheet because</b> 5 <b>this is a composite exhibit, but this was a</b> 6 <b>separate spreadsheet that you produced to us.</b> 7 <b>Let's look at the bottom. I'm trying to</b> 8 <b>understand exactly -- I think Jade may have --</b> 9 <b>well, who prepared this document?</b></p> <p>10 A It looks like Jade.</p> <p>11 Q Okay.</p> <p>12 At the bottom of the larger chart, the 13 first asterisk, it says, "As of 6/10/14, Tony said 14 he wired thirty-one million, five hundred 15 sixty-four thousand to Palm House." Do you see 16 that?</p> <p>17 A Yes. I just want to see his email. I 18 just want to see if it's the same thing, what he 19 said. I thought he said something different.</p> <p>20 Q It looks like the number has grown 21 slightly.</p> <p>22 A Yeah. Okay. Okay.</p> <p>23 Q Then the second asterisk says, "As of 24 10/2/14, taking Tony's numbers and adding the 25 subsequent wires, Tony thinks he has given a total</p>	<p>Page 124</p> <p>1 <b>Q Now it's nine point eight million</b> 2 <b>dollars.</b></p> <p>3 A Yeah, all of a sudden it grew. Because 4 I think we were looking at it. We paid his 5 interest over the five years at four point four 6 percent -- can I go off the record for a moment?</p> <p>7 MS. SPRINGER-CHARLES: Yeah. Let's go 8 off the record.</p> <p>9 (A brief recess was taken.)</p> <p>10 MS. SPRINGER-CHARLES: Back on the 11 record.</p> <p>12 BY MS. SPRINGER-CHARLES:</p> <p>13 <b>Q Mr. Matthews, you didn't have any</b> 14 <b>substantive discussions with us while we were off</b> 15 <b>the record? You were doing some calculations in</b> 16 <b>your head, right?</b></p> <p>17 A Yes.</p> <p>18 Q Okay. I mean, they were verbal, but 19 they didn't really add anything that needed to be 20 on the record.</p> <p>21 Again, I guess we're just trying to 22 understand what this three point three nine six 23 million dollars is, as opposed to the nine point 24 eight million dollar Joe's fees.</p> <p>25 A I don't think Joe's fee ever was nine</p>
<p>Page 123</p> <p>1 of thirty-six million, sixty-four thousand 2 dollars." Do you see that?</p> <p>3 A Yes.</p> <p>4 Q Then it says, "He deducted three 5 million, three hundred ninety-six thousand dollars 6 for Joe leaving us with thirty-two million dollar, 7 six hundred sixty-eight thousand dollars."</p> <p>8 What does that mean, if you know?</p> <p>9 A He deducted three for Joe.</p> <p>10 Q Why did he -- what does that mean?</p> <p>11 A I can only think of two things. It 12 could be that he deducted that as prepaid 13 interest, or he deducted it because it was that 14 loan that we did at the closing with Revere was 15 around three something. So I'm not really sure.</p> <p>16 Q If we read the next sentence, I don't 17 know if it will help clarify it because it says, 18 "So forty-six point five million," I assume, 19 "minus thirty-two point six six eight million, 20 minus nine point eight million," in parenthesis it 21 says, "Joe's fee, plus two hundred thousand, 22 fifty-three dollars," in parenthesis, "Kevin, 23 equals four point two three two million left due 24 to Palm House."</p> <p>25 A Right, except for Joe's fee was --</p>	<p>Page 125</p> <p>1 point eight. So I didn't do the calculations. I 2 just know he was never going to get ten million 3 dollars for doing the loan.</p> <p>4 <b>Q How much did you think he was going to</b> 5 <b>get?</b></p> <p>6 A I thought he was going to get around 7 four million dollars.</p> <p>8 <b>Q Was Mark Payne supposed to get any of</b> 9 <b>the four million dollars that was going to Joe?</b></p> <p>10 A I don't think -- not that I know of.</p> <p>11 MS. SPRINGER-CHARLES: I'll ask the 12 Court Reporter to mark a copy of this email, dated 13 11/25/2012 from joedirect to 14 rvmatthews22@gmail.com, it's forwarding a chain of 15 emails as Exhibit No. 156.</p> <p>16 (SEC Exhibit No. 156 was 17 marked for identification.)</p> <p>18 BY MS. SPRINGER-CHARLES:</p> <p>19 <b>Q I'm showing you what's been marked as</b> 20 <b>Exhibit No. 156. If we start from the bottom on</b> 21 <b>November 26th, 2012, it looks like you sent to</b> 22 <b>David, and I believe this is David Derrico, if I'm</b> 23 <b>not mistaken. I've seen this email in other email</b> 24 <b>chains, so I'm going to represent to you, I think,</b> 25 <b>it's David Derrico.</b></p>

<p style="text-align: right;">Page 126</p> <p>1        It says, "Please see attached management  2        bios, as well as the original agreement with Joe.  3        The agreement reflects the agreed three point two  4        percent interest rate payable to the LLLP. The  5        LLLP also received a ten percent back-end interest  6        as documented elsewhere, but not reflected in this  7        agreement." And then he talks about other issues.  8        Bob then responds -- well, Joe responds,  9        "Bob, please listen to your voicemail. I will  10      talk with you on this tomorrow morning. David  11      will make changes if necessary tomorrow."  12      Then you say, "Joe, got your voicemail.  13      I understand you need to keep PPM simple. I think  14      we can do this as you say and put the details of  15      the deal in the club docs. Best, Bob."  16      And then Joe says, "Okay. Talk with you  17      in the morning."  18      Other issues that were discussed in the  19      initial email were the bonus benefits, the club  20      membership, the advisory board -- and I think the  21      advisory board.  22      Do you recall what Joe said to you about  23      keeping the PPM simple? What was he talking  24      about? I know it was sometime ago, but --  25      A    Yeah. All I remember is -- I'm not</p>	<p style="text-align: right;">Page 128</p> <p>1        <b>Q    Did Joe tell you that they should not --</b>  2        <b>and this is a question. I'm not putting words in</b>  3        <b>your mouth. But just did Joe tell you that, you</b>  4        <b>know, it was his opinion that the three point two</b>  5        <b>percent prepaid interest, as well as the ten</b>  6        <b>percent back-end equity rate should not go in the</b>  7        <b>PPM or in the offering documents?</b>  8        A    I don't know. I didn't have a lot to do  9        with the PPM. Outside of hiring Frank to get the  10      numbers for the hotel that I gave to David and  11      outside of the construction numbers that Frank got  12      with Nick and I gave to David, that's -- and I  13      gave him -- I think I gave him these bios that are  14      here, other than that, I don't -- I didn't have  15      anything to do with the PPM.  16      <b>Q    What numbers did Frank get?</b>  17      A    The -- as I said earlier, he hired the  18      appraiser. He got the projections for the average  19      daily rates and the revenue projections on the  20      hotel, what the occupancy would be, those numbers.  21      <b>Q    And so you supplied those numbers to</b>  22      <b>David for inclusion in the offering documents?</b>  23      A    Yeah. They asked me for those two  24      things specifically for what they were doing to  25      raise the money. I mean, remember, he was raising</p>
<p style="text-align: right;">Page 127</p> <p>1        really sure what he was talking about. It looks  2        like that I must've agreed to the ten percent,  3        which I thought was four point four percent in the  4        other agreement.  5      <b>Q    Would that explain why you were</b>  6      <b>deducting the nine point eight million dollars</b>  7      <b>that we saw on the previous Exhibit 5?</b>  8      A    No, because it was a ten percent  9        back-end interest after you sold it.  10     <b>Q    Back-end interest. I gotcha.</b>  11     A    Not interest rate. Back-end --  12     <b>Q    Oh, so not the four point four percent,</b>  13     <b>but ten percent?</b>  14     A    Right.  15     <b>Q    Okay.</b>  16     MR. REINHART: Isn't it ten percent  17        equity ownership in the hotel?  18     MS. SPRINGER-CHARLES: Equity, right.  19        Not the interest paid for the loan?  20     THE WITNESS: Not the interest rate. I'm  21        sorry. Yes. Yes.  22     BY MS. SPRINGER-CHARLES:  23     <b>Q    I understand. Okay.</b>  24     A    I don't know what Joe talked to me  25        about.</p>	<p style="text-align: right;">Page 129</p> <p>1        the money and that's -- if you look back at the  2        original exhibit you gave me with him raising  3        money, he's doing everything. I don't know  4        anything about that world. Even today I don't  5        really understand that world. I still don't. And  6        I don't even want to know today more than ever.  7        But I never read his PPM. I never -- but when he  8        asked me what the construction would be and what  9        the average daily rates and the hotel revenues  10        would be, I hired people, and they gave me those  11        numbers, and I gave them to David.  12      <b>Q    And you said you also got information</b>  13      <b>from Nick to provide to David?</b>  14      A    Right. Right, for the construction.  15      <b>Q    And you provided the biographies of the</b>  16      <b>management team for inclusion in the offering</b>  17      <b>documents, correct?</b>  18      A    Yeah. I didn't -- I wasn't sure -- I  19        mean, I guess -- I don't know if I knew he's  20        putting in the offering or not. I don't know if  21        he ever did put them in the offering. I know he  22        asked me that he needed these resumes for what he  23        was doing. I didn't know if just needed them  24        personally or if he needed them to specifically  25        put in there.</p>

Page 130	Page 132
<p>1       <b>Q He, David?</b>  2       A No. I think Joe asked me for it, I  3       thought. David could've. David and Joe are the  4       same.  5       <b>Q Yeah. In your email, you're saying,</b>  6       <b>Dear David. And I think later we'll see where</b>  7       <b>David's asking for the information.</b>  8       A Oh, okay. Okay. Okay.  9       <b>Q I want to now move on to talk about your</b>  10       <b>relationship with several individuals and</b>  11       <b>entities, and then I think that would be an</b>  12       <b>appropriate time to just go on a lunch break after</b>  13       <b>that.</b>  14       <b>Who is Jade Yu?</b>  15       A She was the girl that was like an  16       administrative assistant, a right-hand person.  17       <b>Q When did you hire Jade to serve as your</b>  18       <b>administrative person?</b>  19       A I don't remember. I'm sure there's an  20       email, but I don't know.  21       MR. REINHART: One second. Can you give  22       a general time frame? Are we talking, did she  23       work there for a year, for five years, for ten  24       years?  25       THE WITNESS: Three to five years ago</p>	<p>1       <b>Q Which you'd authorized her to do that?</b>  2       A Yeah, she had the right to do it.  3       Absolutely.  4       <b>Q Okay. Based on your authority, correct?</b>  5       A Yes. She had the right to do it.  6       <b>Q Okay.</b>  7       <b>Do you know whether Jade ever conducted</b>  8       <b>any business out of 160 Royal Palm's bank account</b>  9       <b>or Les -- or directed Les Evans to do anything</b>  10       <b>absent authorization from you?</b>  11       A Yes.  12       <b>Q When?</b>  13       A She took some personal items on -- on  14       some of the stuff. And on some of the accounting,  15       she didn't keep separate from my accounting to  16       160's accounting. So the idea was to do a  17       true-up, but do a due to/from at the end of the  18       year. So I know she -- I'm making this up, but I  19       think she told me once she took, you know, a  20       hundred and fifty bucks because she didn't have  21       any money and she had to pay some personal thing  22       or some clothing or something. So I think there  23       were some minor things that she did.  24       <b>Q Well, I think you said two different</b>  25       <b>things, right? Am I wrong? That first, she took</b></p>
<p>1       whenever I did this thing. I mean, I don't know.  2       BY MS. SPRINGER-CHARLES:  3       <b>Q Was she hired after you had acquired the</b>  4       <b>hotel?</b>  5       A Probably. I don't know. Because where  6       would she have worked if she wasn't? Yeah,  7       probably.  8       <b>Q Okay.</b>  9       <b>And your only memory is of her working</b>  10       <b>at the hotel, correct?</b>  11       A Yeah.  12       <b>Q Okay.</b>  13       <b>Each time Jade conducted business on</b>  14       <b>behalf of 160 Royal Palm, was it at your</b>  15       <b>direction?</b>  16       A Well, when I asked her to do it, it was  17       at my direction. If she did something without  18       it -- she was pretty independent. If she did  19       something without it, then it wasn't.  20       <b>Q Well, would Jade transfer funds out of</b>  21       <b>160 Royal Palm's bank account absent authorization</b>  22       <b>from you?</b>  23       A She could've if we were low and we had  24       to get Nicky money. She might send an email and  25       ask Les for money, you know.</p>	<p>1       <b>some personal money?</b>  2       A True.  3       <b>Q Once about a hundred and fifty dollars</b>  4       <b>on one occasion?</b>  5       A Yes.  6       <b>Q Okay.</b>  7       A It could be less.  8       <b>Q And then you said something else. Can</b>  9       <b>you tell me what's the second thing you said.</b>  10       A Well, that I had monies due to me from  11       160 developer fees of two two -- approximately,  12       two point two million dollars. And so  13       sometimes -- I know I took one fee of one one  14       directly.  15       <b>Q And that was the money that went to</b>  16       <b>Bonaventure 22, correct?</b>  17       A Right. And then there was another fee.  18       I don't know what we called it. But they were  19       developer fees. I don't know what we called them.  20       It could've been an administrative fee, whatever.  21       We called it something. But there were two fees  22       that equaled two two.  23       And the other one could've been where --  24       and I'm making this up -- she bought -- well, I  25       can give you an example. She bought plane</p>

Page 134	Page 136
<p>1 tickets. We went to London with the family to go  2 see the designer. And my wife was very much  3 involved with the hotel with the designer who's  4 working -- she was really helping out, and  5 socially she was very connected in town, so it was  6 a good thing. And I know that when I went through  7 with the accounting --</p> <p>8 MR. REINHART: Don't talk about what you  9 did your lawyers. But if you say you saw a  10 document, you want to describe a document, that's  11 fine. Just don't talk about what you discussed  12 with your lawyers.</p> <p>13 BY MS. SPRINGER-CHARLES:</p> <p>14 <b>Q And immediately after lunch I think I'm  15 going to introduce certain accounting documents  16 that you've provided, I think, that you can point  17 out specific examples, but you can tell me  18 generally now.</b></p> <p>19 A Well, generally, it would be if  20 something -- for example, my daughters, I didn't  21 want to pay it out of 160 because they had no  22 legitimate thing, and I was very careful about  23 keeping everything lined up where it was supposed  24 to go. And so when I went through with an  25 accountant -- can I say that?</p>	<p>1 you would true-up what was supposed to be in the  2 right column.</p> <p>3 BY MS. SPRINGER-CHARLES:</p> <p>4 <b>Q And are you saying Jade did not do that?</b></p> <p>5 <b>She didn't true it up? What didn't Jade do, or  6 what did she do that she shouldn't have done?</b></p> <p>7 A I think -- I know when I went through  8 with my accountant, we trued it up. I don't think  9 Jade trued it up. Maybe she wasn't supposed. I  10 don't know. It was a little sloppy.</p> <p>11 MR. REINHART: Specific -- again, if you  12 don't mind. Specific to the Palm House, but what  13 you're saying is certain personal expenses of  14 yours were paid out of the bank account?</p> <p>15 THE WITNESS: Yeah.</p> <p>16 MR. REINHART: And they were supposed to  17 be reconciled at the end of the year --</p> <p>18 THE WITNESS: Right.</p> <p>19 MR. REINHART: -- against fees and other  20 things that were owed to you by the project?</p> <p>21 THE WITNESS: Right.</p> <p>22 MR. REINHART: When you say due to, due  23 from, or true-up, is that what you're talking  24 about --</p> <p>25 THE WITNESS: Yeah.</p>
Page 135	Page 137
<p>1 MR. REINHART: Yes.</p> <p>2 THE WITNESS: -- I was very careful to  3 make sure any things that weren't 160 went into a  4 separate file that were monies that were due to  5 me. Right.</p> <p>6 So let's just say the tickets were  7 twenty grand and my daughter was four grand, I  8 made sure -- it might've come out of 160, but I  9 made sure there was a true-up on the other side,  10 so that the four grand was contributed to me  11 towards the fees. Does that make sense?</p> <p>12 BY MS. SPRINGER-CHARLES:</p> <p>13 <b>Q Okay.</b></p> <p>14 MR. REINHART: You used the phrase "due  15 to, due from". You and I -- I know what that  16 means, but why don't you clarify that for them.  17 When you talk about due to, due from, and a  18 true-up, what does that mean?</p> <p>19 THE WITNESS: So if you have several  20 different LLCs, then they all end up -- you know,  21 it's a partnership return. It flows back to you  22 individually. So you would sometimes have the  23 accounting where this LLC paid for something and  24 then this other LLC paid for something. And then  25 at the end of the year, you would go through and</p>	<p>1 MR. REINHART: -- personal expenses that  2 should've not been ultimately charged to the  3 project? It should've been charged to you  4 personally?</p> <p>5 THE WITNESS: And it went the other way.  6 There was expenses that Bonaventure 22 paid, you  7 know, hundreds of thousands of dollars towards the  8 boat, and the boat was Palm House's boat. It  9 wasn't my boat. And those fees would've come  10 back, too. It went both ways.</p> <p>11 MR. REINHART: Okay. And what was  12 Jade's -- back to Ms. Springer's question. So now  13 that you clarified that structure. What was  14 Jade's responsibility with regard to that, and  15 what did she do or not do that she should've done?</p> <p>16 Is that -- am I clarifying your  17 question?</p> <p>18 MS. SPRINGER-CHARLES: Yes.</p> <p>19 THE WITNESS: Jade had complete  20 authority with everything. She was a signer -- I  21 wasn't even on the account. She was on every  22 single account, everything. I totally trusted her  23 one hundred percent.</p> <p>24 She did QuickBooks. And all I'm saying  25 is, when I went through them with the accountant,</p>

<p style="text-align: center;">Page 138</p> <p>1 I found certain things that weren't true up yet,    2 and maybe she was going to true it up. I don't    3 know. I mean, I know we talked about it. I don't    4 know if she ever did it or not.</p> <p>5 BY MS. SPRINGER-CHARLES:</p> <p>6 Q We're just going to go with this    7 discussion since we're here. We're going to like    8 move ahead to this discussion.</p> <p>9 My first question to you: You mentioned    10 that you were entitled to a developer and/or a    11 management, slash, admin fee; am I right?</p> <p>12 A Yes.</p> <p>13 Q Okay.</p> <p>14 And that was a total of two point two    15 million dollars?</p> <p>16 A Yes.</p> <p>17 Q I saw the business plan. I saw the line    18 items. One says a developer fee of one point one    19 million, and then there's project admin, slash,    20 management, I think, or management or an admin fee    21 of another one point one million dollars. You    22 believe that you were entitled to both of those    23 fees, correct?</p> <p>24 A One hundred percent.</p> <p>25 Q Typically, when does a developer take</p>	<p style="text-align: center;">Page 140</p> <p>1 were business plans that were attached to it. Some    2 of the information that you provided to David were    3 in that document.</p> <p>4 A Right.</p> <p>5 Q I saw the line item for developer fee.    6 If this was in another document, I'd appreciate it    7 if you can tell me what document that is. But    8 that's the only place that I saw those two line    9 items were in the business plan for how those    10 funds were going to be used, and there's the    11 developer fee and the project admin management    12 fee. I did not see a discussion about when you    13 were entitled -- or the developer was entitled to    14 take that fee.</p> <p>15 A Well, I don't think there was, but there    16 was really no secret, because I had that fee and    17 there was a brokerage fee built in at the closing    18 if I needed the money. We couldn't afford to take    19 it because we didn't have the money in. So I had    20 that fee built in upfront on this deal, but I    21 ended up not taking it and leaving it in the    22 deal because we couldn't afford to take it out.</p> <p>23 Q Well, that's separate and apart from    24 this two point two, correct?</p> <p>25 A Yes, but I'm trying to answer --</p>
<p style="text-align: center;">Page 139</p> <p>1 his fee, like generally? You've been a developer    2 for many years, correct?</p> <p>3 A (The witness nods head.)</p> <p>4 Q When does a developer typically take his    5 fee?</p> <p>6 A I don't know what other developers do.    7 Some developers bill them upfront. Some    8 developers take them at the end. It was a really    9 low fee for the work. Remember, I spent three    10 years and ten months getting this hotel back. So    11 during the course of the project, they take their    12 fee. I don't know when exactly. I mean, in my    13 mind, it was due. There's no question. I've    14 taken them upfront before.</p> <p>15 Q Okay.</p> <p>16 When I read this business plan, there    17 was no discussion about -- at least I didn't see    18 any, and if there's one there, I would appreciate    19 it if you could point me to it so that we have the    20 full lay of the land, but there was no discussion    21 about specifically when you were supposed to get    22 that --</p> <p>23 A Well, when you say business plan, what    24 are you referring to?</p> <p>25 Q The Palm House offering documents, there</p>	<p style="text-align: center;">Page 141</p> <p>1 Q And I don't want to confuse -- okay. Go    2 ahead.</p> <p>3 A But I never got that fee, so -- what    4 they were supposed to pay at the closing. So I    5 took the one one, and I don't know how much I took    6 of the balance of the other one one. The other    7 one -- but there was never a discussion with me,    8 with Joe, with the PPM.</p> <p>9 Q I didn't see it.</p> <p>10 A Yeah. I mean, if the project was funded    11 fully in the beginning, I could've taken it day    12 one. I wasn't going anywhere.</p> <p>13 MR. REINHART: But I think her question    14 is: Other than the documents -- are you aware of    15 any other documents where there's a timing aspect    16 to this fee?</p> <p>17 THE WITNESS: No. No. No.</p> <p>18 BY MS. SPRINGER-CHARLES:</p> <p>19 Q Did you and Joe discuss it?</p> <p>20 A I'm sure I discussed it, because it was    21 my lucky number twenty-two. So I'm sure it had to    22 be discussed.</p> <p>23 MR. REINHART: But I think her question    24 was: Was it discussed when you would take it?</p> <p>25 THE WITNESS: I don't remember if I</p>

Page 142	Page 144
<p>1 discussed when I would take it. I mean, Joe lent  2 me money during the course of this. So there was  3 no secret that I didn't have any money. So I  4 don't think there was any surprise here.  5 BY MS. SPRINGER-CHARLES:  6 <b>Q In the past deals, did you outline in</b>  7 <b>the deal documents when you were going to take</b>  8 <b>that fee?</b>  9 A I mean, I'm working on a deal now. We're  10 talking about doing developer's fee and it was --  11 MR. REINHART: Answer her question.  12 BY MS. SPRINGER-CHARLES:  13 <b>Q What was the timing previously?</b>  14 A --upfront on that one.  15 Previously, I don't know. I don't know.  16 <b>Q But this time that you're working on a</b>  17 <b>deal, you've discussed that you were going to take</b>  18 <b>this -- if it goes through, you're going to take</b>  19 <b>the fee upfront, correct?</b>  20 A Yes. Yes.  21 <b>Q Okay.</b>  22 <b>The project, slash, manager admin fee of</b>  23 <b>one point one million dollar, who typically gets</b>  24 <b>that fee, the developer?</b>  25 A Yeah. The idea was that I was going to</p>	<p>1 or if they did it, or if I gave it. I have no  2 idea.  3 MR. REINHART: But to be clear, you just  4 said a second ago you looked at the PPM later.  5 Just clarify for them. When later?  6 THE WITNESS: When I started dealing  7 with you and Alan.  8 MR. REINHART: So after the money had  9 been raised?  10 THE WITNESS: Yeah. Just for the  11 record, I still never read that damn thing. I  12 just read that page.  13 MR. REINHART: I'm sure you'll get to  14 talk about the PPM later before we're done.  15 BY MS. SPRINGER-CHARLES:  16 <b>Q Who was Niklaus Leuenberger,</b>  17 <b>N-I-K-L-A-U-S, L-E-U-E-N-B-E-R-G-E-R? Who is</b>  18 <b>that?</b>  19 A He was the manager that Frank -- GM,  20 that Frank ended up hiring. He came from  21 Switzerland. A great guy. A big resume. A five  22 star guy. We got him an apartment. We got him a  23 BMW. I think maybe even health insurance. A high  24 powered manager for the hotel.  25 <b>Q Why wasn't he entitled to the one point</b></p>
<p style="text-align: center;">Page 143</p> <p>1 get two point two million dollars in a fee. You  2 can call it whatever you want to call it, but that  3 was the idea, and I was suppose to get it.  4 <b>Q This is just a general question. Like</b>  5 <b>if looking at a deal, I don't know your world, and</b>  6 <b>so I'm trying to understand.</b>  7 A Oh, I'm sorry. I apologize.  8 <b>Q If I look at some deal sheet, and</b>  9 <b>there's a line item for developer fee, and then</b>  10 <b>there's a separate line item for a project, I</b>  11 <b>guess, admin, slash, management fee, who</b>  12 <b>typically -- and this is a general question, who</b>  13 <b>typically gets that fee?</b>  14 A The developer.  15 <b>Q The developer?</b>  16 A Yeah.  17 <b>Q Why is it split out that way then?</b>  18 A It could've just been one fee for two  19 two and called it developer fee. I don't know. I  20 don't remember. I don't know who wrote it that  21 way. I just knew I wanted two point two and that  22 was all -- I can't tell you who wrote all those  23 things on the -- because I did look at the PPM  24 later, and I saw that list of stuff, but I don't  25 know where -- you know, if it was split that way,</p>	<p style="text-align: center;">Page 145</p> <p>1 <b>one million dollar admin management fee?</b>  2 A Are you serious?  3 <b>Q I don't know. I don't know the world.</b>  4 MR. REINHART: She is asking a question.  5 She doesn't understand your world.  6 THE WITNESS: You would never pay a  7 general manager a development fee. Right. So he  8 interviewed bunches of people. And so the GM is  9 going to run the hotel. He came in early to help  10 us, how deep are the tubs, is it a five-fixture  11 bathroom, what are the patterns to be able to get  12 from this hotel as one wing and another wing. He  13 helped us figure out how to get underground and  14 have all back of house. When Glenn had the hotel,  15 he had like one elevator. Then we had six  16 elevators for the service. So he helped with  17 that -- what makes it a five star hotel, that  18 service that you have to put in.  19 BY MS. SPRINGER-CHARLES:  20 <b>Q Right. But I didn't ask about the</b>  21 <b>developer, because they're two different line</b>  22 <b>items, and that's why I'm trying to understand.</b>  23 <b>They're distinctly two different items. One says</b>  24 <b>developer fee, and so I assume the developer who's</b>  25 <b>listed as Palm House, LLC in the offering</b></p>

<p style="text-align: center;">Page 146</p> <p>1 documents, that's the entity that was entitled to  2 the developer fee based on my reading of the  3 documents. But then there's a separate line item  4 for admin, slash, management fee. And what you're  5 describing to me as Mr. Leuenberger's task sound  6 like administrative management things.</p> <p>7 A Yeah.</p> <p>8 Q Is it different?</p> <p>9 A Let me just help you with this. The  10 intent was always to be a fee, and you can call it  11 anything you want to call it. Okay. Niklaus was  12 hired, I think, for maybe two hundred and  13 twenty-five thousand dollars a year to be the  14 general manager and was never going to be entitled  15 to any kind of fees like that. He got his  16 package, which would be health, car, apartment. I  17 think moving expenses. You know, what you'd  18 hire -- what you'd pay for a real executive to do  19 it, but there was never any intent to pay him a  20 project management fee. It's really -- the intent  21 was always just a fee to come to me however you  22 want to call it.</p> <p>23 Q But why wasn't it just one line item,  24 two point two million dollars to the developer?</p> <p>25 A I cannot answer you that. I don't know</p>	<p style="text-align: center;">Page 148</p> <p>1 that's -- the only way I came up with two point  2 two was adding those two line items. So I figured  3 that's what you were referring to. I still -- I  4 guess last time I beat you with this question. Why  5 were the fees separated that way?</p> <p>6 A I don't know why. I don't -- you know,  7 I really don't know why, except the idea was to  8 equal one one and one one.</p> <p>9 Q When does -- typically, when would a  10 project administrator manager take his fee, his or  11 her fee?</p> <p>12 A To me, it was one in the same as a  13 developer fee. You could've taken it upfront, you  14 could've taken it at the back end, you could've  15 taken it during, whatever you wanted to do.</p> <p>16 Q Did you discuss with Joe when, you know,  17 that portion of the two point two would be taken?</p> <p>18 A I don't remember. I could've. Because  19 I think in Joe's mind if I didn't take a fee, he  20 would've lend me more money. So I don't think  21 there were any issues. I don't remember  22 specifically having the conversation, no.</p> <p>23 Q Why was Niklaus hired by -- when I  24 looked at the documents, he was engaged for two  25 hundred and twenty thousand dollar salary, but it</p>
<p style="text-align: center;">Page 147</p> <p>1 why it was done that way, but it was. I don't  2 know who did it that way.</p> <p>3 Q I'm going to represent to you, and we'll  4 look later that I've seen emails where David  5 Derrico sent you the business plan, and you said,  6 this is the first time I'm seeing it -- I think it  7 was January of 2013 -- I'm going to take a look at  8 it, and I'll get back to you, I guess, with  9 comments maybe. And we'll get to it. Did you  10 look at it then?</p> <p>11 A No. And I don't think -- David sent me  12 emails on that, I think, because I wanted to  13 review them before he came here. I think he had  14 like forty-one or forty-six emails, and he asked  15 me for stuff, and I gave him the stuff originally  16 of what I saw the deal as, which was the  17 construction, money, soft cost money, the  18 acquisition of a hotel. That was it, those items,  19 what I gave him. What they did with it? Who  20 knows. They had their own mind what they did with  21 it.</p> <p>22 Q I guess because it was you, I think, who  23 initially -- I learned from you that there's a  24 document that says that were you entitled to this  25 two point two million dollar developer fee, and</p>	<p style="text-align: center;">Page 149</p> <p>1 was by HIG Acquisitions, LLC. Why not directly by  2 160 Royal Palm or Palm House?</p> <p>3 A I think Frank wanted to do it that way,  4 so to insulate the hotel from lawsuits and all  5 that just to keep it separate.</p> <p>6 Q The developer, based on the offering  7 documents that we have, is Palm House, LLC, not  8 Bob Matthews. It's Palm House, LLC. Gerry  9 Matthews owns ninety-nine percent interest. Ryan  10 Black owns one percent interest. Why would you be  11 entitled to the full two point two million  12 dollars, you personally?</p> <p>13 A Because I was the developer. It was my  14 deal. I owned it back in '06. I spent three  15 years and ten months fighting to get it back. I  16 went in there when the other guy owned it, Glenn,  17 and helped layout the bathrooms. I'd sneak in and  18 help lay it out knowing either, A, I was going to  19 be able to buy it back someday, or, B, I was  20 helping this guy who didn't know what he was doing  21 to do a five star hotel. So I don't know what the  22 documents said, but there's no question in my mind  23 I was the developer.</p> <p>24 Q Was Ryan, as one percent owner of Palm  25 House, entitled to any portion of the two point</p>

Page 150	Page 152
<p>1      <b>two million dollar fee?</b></p> <p>2      A No. His deal was two hundred and twenty</p> <p>3      thousand dollars for his one percent.</p> <p>4      <b>Q Okay. So I understand you took the one</b></p> <p>5      <b>point one million dollars of the two point two to</b></p> <p>6      <b>Bonaventure. It went over to Bonaventure. I</b></p> <p>7      <b>think it may come from 160 Royal Palm's bank</b></p> <p>8      <b>accounts. The other one point one million, how</b></p> <p>9      <b>did you take that?</b></p> <p>10     A I don't know, but it -- part of it</p> <p>11     would've been the due to, due froms on things that</p> <p>12     I took. And I don't know if I even took the</p> <p>13     balance of it.</p> <p>14     <b>Q How much of it do you believe you took?</b></p> <p>15     A I have no idea. I mean, maybe they owe</p> <p>16     me six or seven hundred thousand dollars. I don't</p> <p>17     know.</p> <p>18     <b>Q Palm House acquired 160 Royal Palm's</b></p> <p>19     <b>membership interest on August 30th, 2013. Funds</b></p> <p>20     <b>that you took prior to this date, did you take any</b></p> <p>21     <b>funds as part of your developer fee prior to this</b></p> <p>22     <b>date?</b></p> <p>23     A No. I had loans that Joe lent me, yes,</p> <p>24     but no developer fees.</p> <p>25     <b>Q No developer fees.</b></p>	<p>1      open, and we would talk.</p> <p>2      <b>Q Okay.</b></p> <p>3      <b>Any other way? Would you sometimes</b></p> <p>4      <b>email her or call her?</b></p> <p>5      A I'm sure I emailed her. I'm sure I</p> <p>6      called her. I'm sure I did all those things.</p> <p>7      <b>Q Each time Jade executed or directed the</b></p> <p>8      <b>execution of a transaction into or out of 160</b></p> <p>9      <b>Royal Palm's bank account, it was at your</b></p> <p>10     <b>direction either specifically for that transaction</b></p> <p>11     <b>or generally?</b></p> <p>12     A True.</p> <p>13     <b>Q Okay.</b></p> <p>14     <b>Same question for Palm House PB, PB's</b></p> <p>15     <b>bank account?</b></p> <p>16     A I didn't know Palm House PB had a bank</p> <p>17     account.</p> <p>18     <b>Q I'll just represent that I think that</b></p> <p>19     <b>there were many transactions executed out of that</b></p> <p>20     <b>account for the boat, for transactions related to</b></p> <p>21     <b>the boat.</b></p> <p>22     A Oh. Jade used it for the boat. You're</p> <p>23     right. I'm sorry. Yes.</p> <p>24     <b>Q So is the answer yes?</b></p> <p>25     A Yes. Yes.</p>
<p style="text-align: center;">Page 151</p> <p>1      <b>But anything that you took prior to</b></p> <p>2      <b>that, you would classify as loans from Joe?</b></p> <p>3      A A hundred percent. Yes, a hundred</p> <p>4      percent.</p> <p>5      <b>Q Either from 160 Royal Palm's bank</b></p> <p>6      <b>accounts, Palm House PB's bank account, or Les</b></p> <p>7      <b>Evans's trust account?</b></p> <p>8      A Yeah. Typically, he would send it --</p> <p>9      the way it worked is that Joe emailed Les Evans,</p> <p>10     and somewhere in there, there's an email with me</p> <p>11     to Les Evans saying, Dear Les, you know, please be</p> <p>12     advised that some of this Joe's personal money and</p> <p>13     some of it, I believe, is other money. And so I</p> <p>14     insisted that Joe would send an email to Les</p> <p>15     because it was his money.</p> <p>16     <b>Q Let me just wrap up with Jade Yu to make</b></p> <p>17     <b>sure I ask the questions that I need to ask, and</b></p> <p>18     <b>then I think we can do lunch.</b></p> <p>19     Each time Jade -- how did you tell Jade</p> <p>20     what you needed her to do on behalf of 160 Royal</p> <p>21     Palm or Palm House or any of the entities that you</p> <p>22     fundamentally controlled? How would Jade know</p> <p>23     what to do?</p> <p>24     A Hey, Jade, could you go do a blah, blah.</p> <p>25     She sat next to me. So I would leave the door</p>	<p style="text-align: center;">Page 153</p> <p>1      <b>Q Okay.</b></p> <p>2      And same question for Les Evans's trust</p> <p>3      account?</p> <p>4      A Yes.</p> <p>5      <b>Q Okay.</b></p> <p>6      Each time Jade requested funds from Joe</p> <p>7      Walsh or Tony Reitz, was it at your direction?</p> <p>8      A Yes. Like I said, she would do it on</p> <p>9      her own or -- but she had the authority to do it.</p> <p>10     <b>Q From you?</b></p> <p>11     A Yes.</p> <p>12     <b>Q Okay.</b></p> <p>13     <b>MS. SPRINGER-CHARLES: I think that</b></p> <p>14     <b>might be it for me. Let's break for half an hour.</b></p> <p>15     <b>(Whereupon, at 12:07 p.m., a luncheon</b></p> <p>16     <b>recess was taken.)</b></p> <p>17     <b>A F T E R N O O N S E S S I O N</b></p> <p>18     <b>(Mr. Busto is present in the room.)</b></p> <p>19     <b>MS. SPRINGER-CHARLES: We're back on the</b></p> <p>20     <b>record at 12:49 p.m. on January 31st, 2017.</b></p> <p>21     <b>BY MS. SPRINGER-CHARLES:</b></p> <p>22     <b>Q Mr. Matthews, did you have any</b></p> <p>23     <b>substantive discussions with any members of the</b></p> <p>24     <b>staff while we were off the record?</b></p> <p>25     A No.</p>

<p style="text-align: center;">Page 154</p> <p>1       Q I believe Mr. Reinhart wanted you to 2 clarify your response concerning Mr. Leuenberger's 3 role as managing director of the hotel. 4       A Right. I just wanted to clarify, so 5 that it was clear that he was going to be the 6 general manager. So when you were talking about 7 why didn't he get that fee before. So he was the 8 general manager of the hotel that was going to run 9 the hotel once it opened. And then he was there 10 early before it opened to advise on how to do back 11 of house issues and how deep the tubs are and 12 whether it's a five-fixture bathroom and all those 13 things. 14       So I just wanted to make sure you knew 15 that he wasn't really doing -- running the deal at 16 all. He was just going to be the general manager 17 of the hotel as his job. He wasn't qualified to 18 do what I do. 19       Q Typically in hotel deals, is the 20 developer the person who does the administration 21 and the management of the project while it's being 22 built or -- 23       A Chief bottle washer. The developer 24 does -- I mean, you bring good people around you. 25 That's the idea. So you get somebody good with</p>	<p style="text-align: center;">Page 156</p> <p>1       somebody comes in with his suitcase, you'd never 2 see the suitcase again. The next time you see it, 3 it's in your room going through one of the six 4 elevators that we were putting in for seventy-nine 5 keys, which is a lot of elevators for seventy-nine 6 keys. So I just wanted to make sure you got the 7 difference. That's all. 8       Q I did. I hate to beat a dead horse. I 9 just -- I don't understand why there were two line 10 items, one for the developer, right, which to me 11 would encompass all the things you just said, and 12 then one separately for project administration, 13 slash, management. I still don't think I 14 appreciate why there were two line items. 15       A And I understand that's your question, 16 and I just have to tell you that in my mind, it 17 was really simple. There was a two point two 18 million dollar fee, and you could've called it 19 chief, cook, and bottle washer. You could've 20 called it whatever you wanted, but that was it. 21 But I was trying to help you with the question 22 about, well, how come Nicklaus didn't get it? 23 Where he would never -- he wasn't that guy. That's 24 really what I was trying to tell you. 25       Q And just to close this, there is no</p>
<p style="text-align: center;">Page 155</p> <p>1       the construction. You get a good GM. You put 2 smart -- you get a good designer. I went to 3 London to get a great designer. So you put really 4 smart people around you. But at the end of the 5 day, as they say, you only have to work half a 6 day, and God even let's you pick which twelve 7 hours. 8       So you're everything, getting it 9 approved, having to go in and get twenty-four 10 variances, having to go through the architectural 11 prints, very anal detail on every single finish so 12 every color, every piece of marble, every -- every 13 single item that when you would walk into a hotel, 14 what would happen? It's almost like a movie set 15 where you'd walk into a hotel and there's this 16 set, and then the actresses and actors are going 17 to come in and you're going to come in, so you 18 have this experience. That's if you're doing a 19 good hotel, that's what you want. You want to 20 come in and have an experience. So it's a very 21 anal organized thing where Nick was just going to 22 be one little part of that. He was going to be 23 the guy at the end where you hand him the baton, 24 and then he runs the day-to-day, does the front of 25 the house, back of the house, makes sure that when</p>	<p style="text-align: center;">Page 157</p> <p>1       other agreement that memorializes the fact that 2 you were going to get the two point two million -- 3       A No. And there's no agreement, you're 4 right. 5       Q Who is Leslie Robert Evans and what is 6 your -- well, first, who is he? 7       A He's an attorney in Palm Beach. 8       Q What is your relationship to him or with 9 him? 10       A He's one of the -- I believe one of the 11 first attorneys I met when I moved to town, and 12 he's also a friend. 13       Q When did you first meet him, like when 14 did you first move to town? 15       A I don't -- I want to say maybe ten years 16 ago, twelve years ago. 17       Q And how did you meet him? 18       A I have no -- I don't recall. 19       Q What was your relationship with his law 20 firm? 21       A He represented me on some things. He 22 had the account that Joe sent money to. He's done 23 some closings for me. 24       Q Why were things set up such that the 25 funds were sent to either -- well, that some of</p>

Page 158	Page 160
<p>1       <b>the funds was sent to Les Evans's trust account?</b></p> <p>2       A I don't know -- I don't know -- was it</p> <p>3       a -- I didn't know it was a trust account.</p> <p>4       <b>Q Well, an account, an account held in the</b></p> <p>5       <b>name of Robert Leslie Evans &amp; Associates, PA.</b></p> <p>6       A I don't know, because -- it's</p> <p>7       interesting. I thought the same thing when I was</p> <p>8       going through emails. Is because sometimes Tony</p> <p>9       would send money directly to 160 and sometimes he</p> <p>10       would send it to Les. I think it's because in the</p> <p>11       beginning the money before we did the Palm House</p> <p>12       that I said was the email I sent to Les I told you</p> <p>13       about saying it's personal money and it's other</p> <p>14       monies, that Les had the account -- I think they</p> <p>15       stuck with it. I think Joe just left him on to</p> <p>16       sort of stick with that, because he was -- because</p> <p>17       as Joe sent money to him -- remember, Les started</p> <p>18       getting money way before we owned the hotel, and</p> <p>19       Les -- Joe sent emails to Les, and Les lent me</p> <p>20       money -- Joe lent me money through Les. I think</p> <p>21       he just left it there. I think it was a place to</p> <p>22       put the money. I didn't have any accounts in my</p> <p>23       name. I still don't. So I think it was just a</p> <p>24       place to put the money.</p> <p>25       <b>Q What money?</b></p>	<p>1       <b>Walsh's account.</b></p> <p>2       <b>On April 14th, did you have any funds</b></p> <p>3       <b>with Les Evans?</b></p> <p>4       A Not that I know of.</p> <p>5       <b>Q Why weren't the funds that were, you</b></p> <p>6       <b>know, met for the construction and development and</b></p> <p>7       <b>renovation of the hotel, why weren't they sent</b></p> <p>8       <b>only to 160 Royal Palm's account or only to Palm</b></p> <p>9       <b>House, LLC's bank account?</b></p> <p>10       A I don't know. You'd have to ask Joe</p> <p>11       that. I really don't know. That's what I just</p> <p>12       said. Because I remember some funds came directly</p> <p>13       to 160 from Tony Reitz, and Tony sometimes sent</p> <p>14       money to Les. So I really don't know why.</p> <p>15       <b>Q Well, you said Jade never really did</b></p> <p>16       <b>anything absent your direction, and I've seen</b></p> <p>17       <b>emails --</b></p> <p>18       A True.</p> <p>19       <b>Q -- where Jade will specify where she</b></p> <p>20       <b>wanted the funds to go, either can you send</b></p> <p>21       <b>X-amount of dollars to Les Evans's account, and</b></p> <p>22       <b>there are times where she'd say, can you send</b></p> <p>23       <b>X-amount of dollars to 160 Royal Palm's account.</b></p> <p>24       <b>How would she know where to direct Tony or Joe to</b></p> <p>25       <b>send the funds?</b></p>
<p style="text-align: center;">Page 159</p> <p>1       A Joe's personal money and whatever money</p> <p>2       from other businesses or EB-5, whatever he raised.</p> <p>3       <b>Q Why wouldn't Joe just keep it with his</b></p> <p>4       <b>own companies?</b></p> <p>5       A I don't know. I know of one time that</p> <p>6       Glenn Straub wouldn't do a deal unless he had</p> <p>7       proof that a lawyer had money in an account. Glenn</p> <p>8       was very fussy like that.</p> <p>9       <b>Q Did Joe Walsh and Les Evans know each</b></p> <p>10       <b>other prior to you and Joe starting business?</b></p> <p>11       A No. They met through me.</p> <p>12       <b>Q So then why did Joe place the money</b></p> <p>13       <b>there, his money?</b></p> <p>14       A I don't know.</p> <p>15       <b>Q Did you hold any money that belonged to</b></p> <p>16       <b>you with Les Evans before this deal?</b></p> <p>17       A Yes.</p> <p>18       <b>Q I'm going to represent to you, we'll see</b></p> <p>19       <b>it in the documents, that the first funds came</b></p> <p>20       <b>over from Craig Galle's account in April of 2013</b></p> <p>21       <b>into Les Evans's trust account. The day before</b></p> <p>22       <b>that, April 14th, I think, because I think it was</b></p> <p>23       <b>April 15th of 2013, I saw three million dollars</b></p> <p>24       <b>coming from Craig Galle, and if I trace that money</b></p> <p>25       <b>back, I think I traced it back to one of Joe</b></p>	<p style="text-align: center;">Page 161</p> <p>1       A I don't know the answer to that</p> <p>2       question. The only thing I can think of, it went</p> <p>3       directly to 160, it could be that we needed money</p> <p>4       immediately to get money to Nick, because he was</p> <p>5       usually behind on the construction funding. But I</p> <p>6       don't know why she would go to Les or why she</p> <p>7       would go to -- I thought she always just sent it</p> <p>8       to go to Tony.</p> <p>9       <b>Q Did Palm House, LLC ever have a bank</b></p> <p>10       <b>account?</b></p> <p>11       A I believe you told me Palm House PB did.</p> <p>12       I don't know if LLC did.</p> <p>13       <b>Q Yeah. I'm asking about LLC.</b></p> <p>14       A I don't remember one.</p> <p>15       <b>Q If that's the borrower, why didn't that</b></p> <p>16       <b>entity have an account set up, a bank account,</b></p> <p>17       <b>where the funds went into? Why would it go</b></p> <p>18       <b>through 160, who I know is the entity that</b></p> <p>19       <b>actually owned the hotel, but it wasn't the</b></p> <p>20       <b>borrower? So why didn't the money go directly to</b></p> <p>21       <b>the borrower?</b></p> <p>22       A When you say borrower, you mean the</p> <p>23       document that Ryan backdated and signed, that?</p> <p>24       <b>Q Right.</b></p> <p>25       A So in my mind, 160 owned the property</p>

<p>Page 162</p> <p>1 and --</p> <p>2 <b>Q The loan was being made to 160?</b></p> <p>3 A I don't know if it was 160 or -- I don't</p> <p>4 know who it was made to. It was either 160 or</p> <p>5 Palm House. I read this afterwards. But it</p> <p>6 either went to one of these two entities.</p> <p>7 <b>Q But this is your hotel, right? This is</b></p> <p>8 <b>your project. Why didn't you pay attention to</b></p> <p>9 <b>what documents were being executed to make the</b></p> <p>10 <b>loan?</b></p> <p>11 A Oh, I had like twenty-five companies,</p> <p>12 and I didn't do the loan. Whatever the</p> <p>13 original -- the piece of paper you showed me</p> <p>14 before that had it, was it from Palm House or 160?</p> <p>15 Whatever it was to was probably where the money</p> <p>16 should've gone to. But in my mind, the building</p> <p>17 was set up and owned the real estate was 160, so</p> <p>18 the money went there. I didn't think it mattered</p> <p>19 whether it went to Palm House or 160 because Palm</p> <p>20 House owned 160, and I think 160 had an account,</p> <p>21 and so that's why they did it. I don't think</p> <p>22 there was any real reason.</p> <p>23 <b>Q Did Les Evans ever transfer funds into</b></p> <p>24 <b>or have funds transferred into his account or</b></p> <p>25 <b>transfer funds out of his account absent direction</b></p>	<p>Page 164</p> <p>1 MR. REINHART: We never went off the</p> <p>2 record.</p> <p>3 MS. SPRINGER-CHARLES: We never went</p> <p>4 off.</p> <p>5 THE WITNESS: Sorry.</p> <p>6 MR. REINHART: But clarify your earlier</p> <p>7 answer.</p> <p>8 THE WITNESS: Yeah. To clarify my</p> <p>9 earlier answer, Les Evans did move money at one</p> <p>10 point without any authorization, yes.</p> <p>11 BY MS. SPRINGER-CHARLES:</p> <p>12 <b>Q Okay. And when was that?</b></p> <p>13 A I don't know. He borrowed -- as I said,</p> <p>14 Les was a friend, and I remember he lent me once</p> <p>15 eight, seven, eight years ago two hundred and</p> <p>16 fifty thousand dollars, and I paid him back. Two</p> <p>17 hundred and fifty thousand dollars, we didn't have</p> <p>18 a note or anything. I know he borrowed some</p> <p>19 money, I think, maybe four hundred thousand, I'm</p> <p>20 not sure, but maybe around four hundred thousand</p> <p>21 dollars, and he could've called me and asked me.</p> <p>22 Actually, I don't remember if he did it.</p> <p>23 I don't know if he did it, and then he told me, or</p> <p>24 if he did ask me, could I -- actually, I don't</p> <p>25 remember which way he did it. I was going to say</p>
<p>Page 163</p> <p>1 <b>from you, Jade, Walsh, or Tony?</b></p> <p>2 A I don't know. He could've, but I don't</p> <p>3 think he would.</p> <p>4 MR. REINHART: You mean funds related to</p> <p>5 the Palm House project? Obviously, he had other</p> <p>6 accounts.</p> <p>7 MS. SPRINGER-CHARLES: Well, no. Only</p> <p>8 the account that was associated with you and the</p> <p>9 Palm House project. I don't know about any other</p> <p>10 accounts. I'm not asking about any other</p> <p>11 accounts. I mean, the funds that were related to</p> <p>12 you and the hotel.</p> <p>13 THE WITNESS: Yeah. I don't believe Les</p> <p>14 would just sent money somewhere without somebody</p> <p>15 telling him to do it.</p> <p>16 BY MS. SPRINGER-CHARLES:</p> <p>17 <b>Q Do you know if anyone else had</b></p> <p>18 <b>authorization to tell Les to move funds into or</b></p> <p>19 <b>out of the account?</b></p> <p>20 A I don't. Maybe Mark Payne could've had</p> <p>21 permission from Joe, but I don't know for a fact.</p> <p>22 MR. REINHART: Just one second to</p> <p>23 consult with him.</p> <p>24 THE WITNESS: Can we go back on the</p> <p>25 record?</p>	<p>Page 165</p> <p>1 he might've moved that money without me telling me</p> <p>2 to do it, but I don't remember now if he really</p> <p>3 did or he didn't.</p> <p>4 <b>Q At some point you learned that he moved</b></p> <p>5 <b>that money?</b></p> <p>6 A Yes. Yes.</p> <p>7 <b>Q When?</b></p> <p>8 A Because I remember seeing one of the --</p> <p>9 <b>Q And we'll get to those, the Quick</b></p> <p>10 <b>reports.</b></p> <p>11 A I saw like an account, and it went to</p> <p>12 somewhere, and I was like, what is that? It was</p> <p>13 kind of like that.</p> <p>14 <b>Q Okay. So shortly thereafter when you</b></p> <p>15 <b>saw one of the reports, you noticed that the funds</b></p> <p>16 <b>were moved and you discussed it with him?</b></p> <p>17 A Yes.</p> <p>18 <b>Q And then he paid it back?</b></p> <p>19 A Yes. I was fine.</p> <p>20 <b>Q You were fine with it?</b></p> <p>21 A Yeah. He's a good guy. In fact, he --</p> <p>22 he -- if you ever chase the money all the way to</p> <p>23 the end, Les actually paid two hundred and fifty</p> <p>24 thousand dollars too much to Palm House. His</p> <p>25 bookkeeper maybe wasn't perfect.</p>

<p style="text-align: right;">Page 166</p> <p>1       <b>Q Who's Nick Laudano?</b>  2       A He owns the New Haven Contracting South,  3       LLC.  4       <b>Q What is that entity?</b>  5       A It's a construction company.  6       <b>Q And is that the construction company</b>  7       <b>that worked on the hotel?</b>  8       A Yes.  9       <b>Q How did you meet Nick?</b>  10      A I don't recall.  11      <b>Q When did you meet him?</b>  12      A Between six and nine, ten years ago,  13      somewhere between there.  14      <b>Q Before you moved to Florida -- to Palm</b>  15      <b>Beach, I should say?</b>  16      A I had a house here, but I wasn't here  17      full time. Yes.  18      <b>Q Okay.</b>  19      <b>Did you meet him in Connecticut, or you</b>  20      <b>met him here locally in Florida?</b>  21      A No. I believe I met him in Connecticut.  22      <b>Q How did you end up entering the -- how</b>  23      <b>did you end up entering into an agreement for him</b>  24      <b>to work on the hotel?</b>  25      A Well, he -- he worked on the hotel for</p>	<p style="text-align: right;">Page 168</p> <p>1       something like he would buy the hotel and then you  2       would buy it back, and he would make X-amount of  3       profit.  4       <b>Q Do you remember how much?</b>  5       A No, I don't remember. No.  6       <b>Q New Haven Contracting South was the</b>  7       <b>general contractor for the hotel?</b>  8       A Yes.  9       <b>Q Did you have any ownership interest in</b>  10      <b>that entity?</b>  11      A No.  12      <b>Q I'm going to show you a composite</b>  13      <b>exhibit of documents. They're emails and</b>  14      <b>attachments related to the A1A G Max contract</b>  15      <b>associated with the construction of the hotel as</b>  16      <b>Exhibit No. 157.</b>  17      (SEC Exhibit No. 157 was  18      marked for identification.)  19      BY MS. SPRINGER-CHARLES:  20      Q I'm showing you what's been marked as  21      Exhibit No. 157. And I'm just introducing this  22      just to sort of jog your memory. But when was  23      this contract that -- you know, the contract  24      actually signed?  25      A When was the contract to do the work on</p>
<p style="text-align: right;">Page 167</p> <p>1       me when I owned it originally. So I bought it in  2       '06 for twenty-nine million bucks, wrote a check  3       for ten, borrowed nineteen. It's the deal that  4       blew me up, just so you know. And then he knew  5       it.  6       And then when I lost the hotel to  7       Glenn -- Glenn Straub bought the note, did a  8       foreclosure, Nicky was working for Glenn then for  9       three years and, I think, ten months. So when  10      this deal came up, it was just an obvious thing.  11      He worked for me when I owned it. Then he worked  12      for Glenn when Glenn owned it. So he knew where  13      all the -- he knew the hotel like the back of his  14      hand.  15      <b>Q Did you and Glenn enter in some -- did</b>  16      <b>Glenn agree to hold the hotel for you while you</b>  17      <b>were able to repurchase it?</b>  18      A Yes, he did.  19      <b>Q Okay.</b>  20      <b>What were the terms of your agreement</b>  21      <b>with him?</b>  22      A He never -- I don't know if you know  23      Glenn, but Glenn's Glenn. I'll just leave it at  24      that. But he never signed the deal. We had a  25      deal signed. I don't remember, but it was</p>	<p style="text-align: right;">Page 169</p> <p>1       the hotel?  2       <b>Q The A1A contract, yeah, when was it</b>  3       <b>actually signed?</b>  4       MR. REINHART: Here.  5       THE WITNESS: Sorry. Sorry.  6       BY MS. SPRINGER-CHARLES:  7       <b>Q And I'm going to tell you why. I think</b>  8       <b>it will just speed things up. I notice that there</b>  9       <b>was a working draft, and looking at the documents</b>  10      <b>that you provided I saw that there was like a -- I</b>  11      <b>saw maybe Nick was working on a draft in November</b>  12      <b>of 2012, and I never saw an executed draft at that</b>  13      <b>time. And then on or about January 8th, 2014, if</b>  14      <b>you look through these emails is when I see that</b>  15      <b>the ultimate contract that I see attached to all</b>  16      <b>the civil lawsuits and used elsewhere, that's when</b>  17      <b>it was signed, but it was signed, you know, dated</b>  18      <b>2013. And I'm wondering when was it really</b>  19      <b>signed, and if it was backdated, why?</b>  20      A Well, I'm looking at the contract for  21      nineteen five and --  22      MR. REINHART: Give her the Bates stamp  23      number there on the bottom for the record.  24      THE WITNESS: Sorry. It's 38399.  25      BY MS. SPRINGER-CHARLES:</p>

<p>Page 170</p> <p>1       <b>Q Okay.</b></p> <p>2       A And I thought it was -- I thought the 3       contract was around in round numbers twenty-nine 4       five, which five million on top of that counting 5       Glenn's money that he put in because he bought the 6       LLC. And I think this might've been when Glenn 7       had it. So when I spoke earlier and I said when 8       we originally did it, we had one elevator, and 9       then when did the final, we had six elevators, so 10       six elevator shafts, six separate cabs. You know, 11       that's -- I don't know, a million three. And then 12       we had all the office space downstairs.</p> <p>13       So what happened was the contract 14       changed because the scope of work changed and 15       became -- what Glenn was going to do -- I don't 16       want to be insulting, but let's just say it was a 17       two star hotel, and what we were going to do was 18       five star hotel. So we had to create back a house 19       space where we created a whole walkway from one 20       building to the next so that the people in the 21       front wouldn't see, for example, when you dropped 22       that suitcase off.</p> <p>23       So I thought there was one -- the one I 24       know is there's one signed, I thought by Les Evans 25       on behalf of Ryan Black. That's the one that I</p>	<p>Page 172</p> <p>1       <b>way and this agreement that's attached to this</b> 2       <b>last email, that's the one that I see attached to</b> 3       <b>all the civil lawsuits that everyone is</b> 4       <b>representing as the agreement, but it seems like</b> 5       <b>it wasn't signed until 2014. Am I correct, or am</b> 6       <b>I --</b></p> <p>7       A I don't know. I mean, I would just 8       chase the emails. If there's one of these with an 9       email, that would be when. I don't really know 10       date.</p> <p>11       <b>Q Yeah. The email is attached to the</b> 12       <b>front of that last one. It's January 8th, 2014.</b></p> <p>13       A I'm sorry. Let me just get there.</p> <p>14       <b>Q No. It's towards the back. It's right</b> 15       <b>before the last agreement.</b></p> <p>16       MR. REINHART: There you go.</p> <p>17       THE WITNESS: This is to Kevin, GMP, 18       1/8/14. And -- I'm sorry. What's the question?</p> <p>19       When was it signed?</p> <p>20       BY MS. SPRINGER-CHARLES:</p> <p>21       <b>Q Yes. When was it signed?</b></p> <p>22       A Does it have a signature even on it?</p> <p>23       <b>Q There's a signature. There's no date.</b></p> <p>24       <b>And that's my confusion.</b></p> <p>25       A Oh, I don't know. Okay. I don't know.</p>
<p>Page 171</p> <p>1       know about.</p> <p>2       <b>Q Right. And I think that's the one that</b> 3       <b>you are looking at, correct?</b></p> <p>4       A Oh, is it? I'm sorry.</p> <p>5       <b>Q Or is it the next one?</b></p> <p>6       A Oh, there you go. Thirty-five seven, 7       and that's on this document. I can't read the 8       number.</p> <p>9       <b>Q Bates labels ending 7506?</b></p> <p>10       A Right.</p> <p>11       And I believe of that, about five 12       million was money that they did to keep 160 clean, 13       so that if Glenn spent four and a half, five 14       million dollars, that the contract came out the 15       right way.</p> <p>16       <b>Q My only question is: When was the</b> 17       <b>contract signed?</b></p> <p>18       A I don't know. I don't think I ever 19       signed it, so I don't -- is there a date when -- I 20       don't know when it was signed.</p> <p>21       <b>Q Because although it's dated on the front</b> 22       <b>made of it, the agreement made as of the 22nd of</b> 23       <b>January of the year 2013.</b></p> <p>24       A Right.</p> <p>25       <b>Q The first time I see this executed this</b></p>	<p>Page 173</p> <p>1       I assume it was sometime January 8th -- oh, that's 2       when it was sent to him. I don't know when it was 3       signed. I'm sorry.</p> <p>4       <b>Q But you see that there's a different</b> 5       <b>agreement that was dated 9/1/13?</b></p> <p>6       A I do.</p> <p>7       <b>Q So which one was the agreement? Which</b> 8       <b>one was the real agreement?</b></p> <p>9       A Well, I know this one included all of 10       the other work, so I know this was the final one. 11       I don't know if the other one was signed or if 12       that was a draft. I really don't know. I can 13       just tell you that the scope changed dramatically. 14       I can tell you that a hundred percent.</p> <p>15       <b>Q Okay.</b></p> <p>16       <b>Was New Haven Contracting South ever --</b> 17       <b>did it ever not have a license to be able to do</b> 18       <b>the work on the project?</b></p> <p>19       A I don't know. I thought you had to get 20       like a qualifier. I believe you had a qualifier. 21       That was an engineer in Miami named Ray Rubio. I 22       thought that was the qualifier for the license.</p> <p>23       <b>Q You'll have to explain to me. Because</b> 24       <b>my question is only, was it ever -- did it ever</b> 25       <b>not have sufficient licensing to be able to do</b></p>

Page 174	Page 176
<p>1           <b>construction work on the hotel?</b></p> <p>2           A I don't know. As far as I know, he</p> <p>3           always had a license, but he could've let it</p> <p>4           lapse. I really don't know.</p> <p>5           <b>Q Why do you say he could've let it lapse?</b></p> <p>6           A Because I'm not sure. I don't know the</p> <p>7           history of his license, so I don't want to say</p> <p>8           something wrong. So I'm saying -- the way you're</p> <p>9           asking the question, I'm trying to be careful. If</p> <p>10           it lapsed for a week or something I don't know</p> <p>11           about, I don't really know if he did or didn't.</p> <p>12           <b>Q What were you trying to explain to me</b></p> <p>13           about Ray Rubio?</p> <p>14           A Ray Rubio, I believe was the qualifier</p> <p>15           for the license. Every GC license has to have a</p> <p>16           qualifier. So New Haven Contracting was a</p> <p>17           construction company that had the contracting</p> <p>18           license, but then there's an individual that has</p> <p>19           to be the qualifier. That's all I know.</p> <p>20           <b>Q Okay.</b></p> <p>21           <b>How much total funds did you receive</b></p> <p>22           <b>from Joe Walsh or any of his entities between,</b></p> <p>23           <b>let's say, November 2012 and the time the receiver</b></p> <p>24           <b>was put in place?</b></p> <p>25           MR. REINHART: Can you just clarify.</p>	<p>1           MS. SPRINGER-CHARLES: Yes.</p> <p>2           MR. REINHART: So what his profit margin</p> <p>3           was?</p> <p>4           MS. SPRINGER-CHARLES: Yes.</p> <p>5           THE WITNESS: Counting the contract with</p> <p>6           self-funded work, included or not?</p> <p>7           BY MS. SPRINGER-CHARLES:</p> <p>8           <b>Q Of the money you sent to him.</b></p> <p>9           A Right, but just to be clear, Nick</p> <p>10           Laudano had a contract, and in that contract, he</p> <p>11           also -- he was allowed -- let's just say we're</p> <p>12           going to build an elevator shaft, and you would</p> <p>13           get three bids from you three guys -- two ladies</p> <p>14           and a guy, and the bid was a hundred thousand</p> <p>15           dollars. Nick always had the right to self-fund</p> <p>16           and bid that job below the hundred, whatever,</p> <p>17           ninety-nine nine. He always had a chance to match</p> <p>18           the lowest number and bid it. And so he had guys</p> <p>19           working for him. And if he's paying a labor, I</p> <p>20           don't know whatever he's paying a laborer, twenty</p> <p>21           bucks an hour, he made money on that part of the</p> <p>22           job that he self-funded besides having a GC --</p> <p>23           besides having the fee.</p> <p>24           <b>Q Okay.</b></p> <p>25           A So, for example, they just came in the</p>
<p style="text-align: center;">Page 175</p> <p>1           When you say you, do you mean him personally or</p> <p>2           the entities or both?</p> <p>3           MS. SPRINGER-CHARLES: You, 160 Royal</p> <p>4           Palm, LLC or Palm House, LLC.</p> <p>5           THE WITNESS: I don't know exactly. I</p> <p>6           would guess somewhere around thirty-four million.</p> <p>7           BY MS. SPRINGER-CHARLES:</p> <p>8           <b>Q How much of those funds did you send to</b></p> <p>9           <b>either Nick Laudano, New Haven Contracting South,</b></p> <p>10           <b>or any of Nick's other entities?</b></p> <p>11           A I don't know. We don't have a</p> <p>12           breakdown.</p> <p>13           <b>Q About how much do you think you sent</b></p> <p>14           <b>over? You don't have to be perfectly right, but</b></p> <p>15           <b>what do you think?</b></p> <p>16           A Between fifteen and twenty million</p> <p>17           dollars, if I was guessing.</p> <p>18           <b>Q Do you know how much of those funds he</b></p> <p>19           <b>used on the construction of the hotel?</b></p> <p>20           A How much he used?</p> <p>21           <b>Q Yes.</b></p> <p>22           A I don't know.</p> <p>23           <b>Q Do you have a guess, an educated guess?</b></p> <p>24           MR. REINHART: Are you asking like what</p> <p>25           his cost were, Mr. Laudano's costs were?</p>	<p style="text-align: center;">Page 177</p> <p>1           hotel and did some work, Hedrick Brothers, and</p> <p>2           they billed out the builders, I believe, for like</p> <p>3           fifty or fifty five dollars an hour or something</p> <p>4           for the laborers. Hedrick Brothers didn't pay</p> <p>5           that laborer fifty dollars an hour. He might've</p> <p>6           paid him -- I don't know, twelve or fifteen or</p> <p>7           some amount of money.</p> <p>8           So what he actually made, I don't know.</p> <p>9           I mean, if I were guessing with the self-funded</p> <p>10           work, I'm guessing five million dollars maybe. I</p> <p>11           don't know. If he got paid twenty, let's say</p> <p>12           twenty percent. Yeah, probably somewhere in</p> <p>13           there.</p> <p>14           <b>Q He used about five million dollars of</b></p> <p>15           <b>the funds that you sent over, is that what you're</b></p> <p>16           <b>saying?</b></p> <p>17           A Well, I'm guessing he made at least five</p> <p>18           million dollars on the job.</p> <p>19           <b>Q He made five million?</b></p> <p>20           A Yeah. That's my guess. I don't know,</p> <p>21           but I'm guessing. I mean, because the self-funded</p> <p>22           work he did well with. He had, I think,</p> <p>23           eighty-four guys on the job at one point.</p> <p>24           <b>Q So he made about maybe about --</b></p> <p>25           A Maybe. I'm just guessing on if I were</p>

<p style="text-align: right;">Page 178</p> <p>1        doing the job when I had a contractor's license. I  2        used to have a construction company. I'm just  3        thinking where my head would be. That's all.  4        <b>Q Well, during that period of time when he</b>  5        <b>started doing work for you once you acquired the</b>  6        <b>hotel, did he not send you over any bills or</b>  7        <b>showing how the money was being used?</b>  8        A Yeah. He would have an AIA, but just so  9        we're clear, I totally trusted Nicky like a  10       hundred percent that he would never hurt me in any  11       way. So he would have an AIA with a schedule,  12       which you should have attached to here. Let me  13       just see. Yeah, but they don't have it.  14       <b>Q Maybe it wasn't attached to this</b>  15       <b>particular email.</b>  16       A You see this page? There's a second and  17       third page.  18       <b>Q Okay.</b>  19       A And on the second page, it would say  20       what the -- it would have the scope of work of  21       every single line item.  22       <b>Q Okay.</b>  23       A And then it would say -- it would say --  24       I'm making this up. Let's just say the spa, I  25       think, that was a plug item for like two million</p>	<p style="text-align: right;">Page 180</p> <p>1        paper, seventy-five percent. And so we needed --  2        I'm making this up -- nine million six, and we  3        went to a closing with like five or something. So  4        we went into this behind the ball, and we're  5        trying to catch up throughout the project.  6        MS. SPRINGER-CHARLES: I'll ask the  7        Court Reporter to mark a copy of this composite  8        exhibit. It's some September 2014 emails  9        regarding the Palm House as to date as Exhibit No.  10       158.  11       (SEC Exhibit No. 158 was  12       marked for identification.)  13       BY MS. SPRINGER-CHARLES:  14       Q I'm showing you what's been marked as  15       Exhibit No. 158. Looking at Exhibit No. 158 --  16       hold on.  17       MS. SPRINGER-CHARLES: Can we go off the  18       record for one second.  19       (A brief recess was taken.)  20       MS. SPRINGER-CHARLES: We're back on the  21       record.  22       BY MS. SPRINGER-CHARLES:  23       Q Mr. Matthews, did you have any  24       substantive discussion with any members of the  25       staff while we were off the record?</p>
<p style="text-align: right;">Page 179</p> <p>1        dollars. So it would say, spa, two million -- we  2        didn't do the spa, so that's not a good example.  3        Concrete work, adding the floor,  4        something, and it would say -- let's just say it  5        was an item of two million, then it would say,  6        work completed to date three hundred thousand, and  7        then work requested in this thing a hundred and  8        fifty thousand dollars. So he kept a schedule,  9        and he sent in a schedule. I mean, I don't know  10       where they are, but I know he did it.  11       <b>Q Right.</b>  12       <b>How did you know when to send him funds?</b>  13       A He would ask me for money. Yeah. He  14       was -- I told you before, he was behind a lot  15       because Joe would squeeze the money, and he would  16       send me emails. You would see them in the files  17       that said, hey -- he even sent emails to Joe  18       sometimes, hey, Joe, please help, you know, I've  19       got eighty-five guys running, let's go.  20       I mean, you have to remember we ran this  21       thing -- we went into it when we bought it with  22       negative money. We didn't have enough to buy it.  23       So we went to a closing for roughly thirty-seven  24       five, and we needed twenty-five percent because  25       was the -- that's what Glenn would take back in</p>	<p style="text-align: right;">Page 181</p> <p>1        A No.  2        <b>Q Looking at these documents, can you tell</b>  3        <b>me what these emails are about, first of all?</b>  4        A I don't know, because I don't recognize  5        them.  6        <b>Q You were cc'd on the first -- I think</b>  7        <b>you were probably including on all of these emails</b>  8        <b>if I'm showing --</b>  9        A I totally believe you that I was. I  10       just don't recognize it. So I'm trying to  11       understand what it is.  12       <b>Q Okay.</b>  13       A It's from Frank Orenstein to Ed Miranda.  14       And so he's saying these are the numbers. So it  15       looks like he's saying that before September 31st  16       thirty-six million was spent. I assumed  17       twenty-nine million when I bought the hotel and  18       another seven million. And then he's saying --  19       okay, twelve million dollars.  20       <b>Q Was that a true statement at that time</b>  21       <b>as of that date?</b>  22       A I don't know, because it's really  23       confusing. Because is he talking about from when  24       I owned the hotel, or from when Glenn owned the  25       hotel?</p>

<p style="text-align: right;">Page 182</p> <p>1       <b>Q Well, I was hoping you'd tell me.</b>  2       A Yeah. I don't -- I don't -- I don't  3       know. Oh, cost prior to September -- there you  4       go. Cost prior to 2012, twenty-two. So when I  5       bought it at twenty-nine, and I spent twenty-two.  6       It looks like to have that amount of money,  7       eighty-one, he's counting all the cost is what I  8       think he's doing.</p> <p>9       <b>Q Okay. So what does the twelve --</b>  10      <b>construction cost subsequent to purchase, what</b>  11      <b>does that represent, the twelve million dollars?</b></p> <p>12      A Oh, this is for the land, too. I'm  13      guessing, I'm thinking it's before it was bought  14      by -- before we bought the membership interest.  15      I'm assuming that's what it is. Before we bought  16      it from Glenn. Because if you read it, it says --</p> <p>17      <b>Q Because if you look at it, the cost to</b>  18      <b>purchase the property on September 1st, 2013,</b>  19      <b>right?</b></p> <p>20      A Right.</p> <p>21      <b>Q And that was about the price that you</b>  22      <b>paid Glenn?</b></p> <p>23      A I think it was thirty-seven five, but  24      yes.</p> <p>25      <b>Q Right, about.</b></p>	<p>1       twelve million the first year. I don't know. I  2       don't know what we spent. But it makes sense that  3       we could've spent twelve million dollars the first  4       year.</p> <p>5       BY MS. SPRINGER-CHARLES:</p> <p>6       <b>Q After September 2014, did you provide</b>  7       <b>Nick with anymore funds towards the construction</b>  8       <b>of the hotel? And to like put everything in</b>  9       <b>context, October is when, I think, Ryan was</b>  10      <b>removed as the managing member.</b></p> <p>11      A I believe I spent whatever money we had  12      left on construction to the very end to keep it  13      going. I don't know the exact dates, but --</p> <p>14      <b>Q Okay.</b></p> <p>15      MS. IVORY: So if we take a look at the  16      page Bates stamped ending in 4756, it looks like  17      these numbers were to be presented to Pujani?</p> <p>18      THE WITNESS: Oh, okay. Pujani, an  19      Indian guy. Yeah. Yes, I know what this is. This  20      is -- this is Frank trying to do a take out and  21      get money for that piece, that I don't know when  22      that piece was bought. If I knew the date that  23      land behind the hotel was bought, it would help  24      me.</p> <p>25      BY MS. SPRINGER-CHARLES:</p>
<p style="text-align: right;">Page 183</p> <p>1       <b>Then there's construction cost</b>  2       <b>subsequent to purchase?</b></p> <p>3       A True. But if you go to the next line,  4       and you see this, it says, cost prior to 2012.</p> <p>5       <b>Q Right.</b></p> <p>6       A So I think maybe he's saying Glenn spent  7       twelve, and he's saying I spent twenty-two when I  8       owned it. Do you see what I'm saying? That's  9       what it looks like he's saying.</p> <p>10      <b>Q But then there's another line, cost</b>  11      <b>price to purchase 2013. And if you go up to the</b>  12      <b>next --</b></p> <p>13      MR. REINHART: Just look at the date.  14      This is September 9th, 2014. This is a full year  15      after you've bought it.</p> <p>16      THE WITNESS: Oh, I thought it was at  17      the closing. Sorry.</p> <p>18      MR. REINHART: You closed August 30th --</p> <p>19      MS. SPRINGER-CHARLES: 30th.</p> <p>20      MR. REINHART: -- 30th, 2013. This is a  21      year later.</p> <p>22      THE WITNESS: Okay. I'm sorry.</p> <p>23      MR. REINHART: So does that refresh you  24      as to what that twelve million might be?</p> <p>25      THE WITNESS: I mean, we could've spent</p>	<p>1       <b>Q 149 Brazilian?</b></p> <p>2       A Yes. Well, it looks like it was before,  3       because it says, phase two land purchase, six  4       million, five eight, plus closing costs. So he  5       knows the purchase price. So let's just assume it  6       was before this. So he was trying to get a loan  7       for ninety -- I don't know. How much was he  8       trying to get a loan for?</p> <p>9       <b>Q It looks like you received funds -- a</b>  10      <b>loan on 9/24/2014 from the DP, I think, at that</b>  11      <b>point.</b></p> <p>12      A On 9 what?</p> <p>13      <b>Q 9/24/2014.</b></p> <p>14      A And this is 9/10?</p> <p>15      <b>Q Right.</b></p> <p>16      A Okay. So we didn't close on it yet. I  17      was wrong. So I don't see the request, but Pujani  18      was a high net worth investor that Frank knew, and  19      he was trying to get money from him.</p> <p>20      <b>Q Okay.</b></p> <p>21      A Oh, there it is right there, a fifty  22      million dollar loan presentation.</p> <p>23      MR. REINHART: So you're looking at the  24      one ending in 272. I think that's what Mr.  25      Matthews is referencing.</p>

<p style="text-align: center;">Page 186</p> <p>1 MS. SPRINGER-CHARLES: Okay.</p> <p>2 MR. REINHART: Does that refresh your</p> <p>3 recollection about what the deal was that you were</p> <p>4 discussing with the Pujari group, what they were</p> <p>5 going to do?</p> <p>6 THE WITNESS: Frank was trying to get</p> <p>7 the money from some guy in Toronto, and I don't</p> <p>8 really remember. I think it was for doing phase</p> <p>9 two. You know, Joe didn't come up with anybody</p> <p>10 after he did the presentation and everything, and</p> <p>11 I think that's what it -- that's the only thing I</p> <p>12 can think of.</p> <p>13 MS. IVORY: Is it -- did Ed Miranda</p> <p>14 compile the numbers for this financial</p> <p>15 presentation?</p> <p>16 THE WITNESS: Probably. Ed was Frank's</p> <p>17 right-hand guy. In fact, worked for us at one</p> <p>18 point.</p> <p>19 MS. IVORY: Okay.</p> <p>20 Because when we go back to the page</p> <p>21 Bates stamped ending in 4756, it had a total</p> <p>22 development cost to date of forty-four million,</p> <p>23 two hundred and eighty-five thousand, nine hundred</p> <p>24 and sixty-eight dollars.</p> <p>25 THE WITNESS: Okay.</p>	<p style="text-align: center;">Page 188</p> <p>1 with something. I really don't know. Who did</p> <p>2 this QuickBooks? Who did this QuickBooks?</p> <p>3 MS. IVORY: When we look at her emails,</p> <p>4 it looks like Jade Yu provided Ed Miranda with</p> <p>5 this information, but the email refers to -- I'll</p> <p>6 go back to the email, which pretty much says that</p> <p>7 he compiled the numbers.</p> <p>8 THE WITNESS: Well, just to pick one</p> <p>9 example, 6670 says professional fees contractor,</p> <p>10 and it says thirty-nine nine forty.</p> <p>11 MS. IVORY: Okay.</p> <p>12 MR. REINHART: Thirty-two nine forty.</p> <p>13 THE WITNESS: I'm sorry. Thirty-two</p> <p>14 nine forty. And there's no way that thirty-two</p> <p>15 nine forty was paid, unless there were other fees</p> <p>16 in there. That seems high. Because you asked me</p> <p>17 to guess before. It wasn't thirty-two.</p> <p>18 BY MS. SPRINGER-CHARLES:</p> <p>19 <b>Q Well, let's keep turning the pages. It</b></p> <p>20 <b>looks like there's a trial balance. It's further</b></p> <p>21 <b>broken down into different periods. And it's not</b></p> <p>22 <b>Bates labeled, so I can't give you a Bates label</b></p> <p>23 <b>number. But here, you're on the right page.</b></p> <p>24 A Oh, you're kidding. You don't want me</p> <p>25 to try to read those numbers, right?</p>
<p style="text-align: center;">Page 187</p> <p>1 MS. IVORY: And if you turn to the page</p> <p>2 Bates stamped ending in 4276. Yes. It's a</p> <p>3 QuickBooks trial balance as of September 5th,</p> <p>4 2014.</p> <p>5 THE WITNESS: Okay.</p> <p>6 MS. IVORY: The total expenses, per this</p> <p>7 QuickBook report, matches that total development</p> <p>8 cost to date. The only question that I have is:</p> <p>9 When I compare this QuickBook report to one that</p> <p>10 was maintained by Jade Yu, I notice that some of</p> <p>11 the headers are different for the general ledger</p> <p>12 account numbers. So, for example, I don't see</p> <p>13 where the development fee was taken here, the</p> <p>14 originally one point one million dollars, and this</p> <p>15 is as of September 5th, 2014.</p> <p>16 Do you know if there's a specific reason</p> <p>17 why it wasn't listed as a general --</p> <p>18 THE WITNESS: So are you telling me that</p> <p>19 the developer fee was taken before September 5th,</p> <p>20 2014?</p> <p>21 MS. IVORY: Yes.</p> <p>22 THE WITNESS: Okay. And why doesn't it</p> <p>23 say developer fee?</p> <p>24 MS. IVORY: Yes.</p> <p>25 THE WITNESS: I imagine it's lumped in</p>	<p style="text-align: center;">Page 189</p> <p>1 <b>Q Well, I think there's an ending balance,</b></p> <p>2 <b>which was -- for a contrast, about twelve point</b></p> <p>3 <b>two million dollars. Then there are expenses</b></p> <p>4 <b>1/1/13 to 8/31/13, about three point five million</b></p> <p>5 <b>dollars. And then expenses through 12/31/12,</b></p> <p>6 <b>seventeen point three million dollars. And the</b></p> <p>7 <b>total is that thirty-two million dollar number</b></p> <p>8 <b>that you refer to. So we're just trying to</b></p> <p>9 <b>understand what you were trying to --</b></p> <p>10 A I wasn't trying to do anything. I can't</p> <p>11 tell you about this one. I'm not a trial balance</p> <p>12 guy. I don't know accounting. I mean, if you ask</p> <p>13 me about the hotel and why the cost went up, I can</p> <p>14 tell you about the -- I can tell you those kinds</p> <p>15 of things, but I don't know this stuff, what</p> <p>16 this -- I don't even know what a trial balance is.</p> <p>17 <b>Q You were talking before about the AIA</b></p> <p>18 <b>and that Nick would give you these printouts of</b></p> <p>19 <b>AIA. If you look to the next page, is this what</b></p> <p>20 <b>you're referring to?</b></p> <p>21 A Yeah, but it doesn't look --</p> <p>22 <b>Q 10/25/2014, it's a spreadsheet attached</b></p> <p>23 <b>to that.</b></p> <p>24 A That's not what I was saying. That's</p> <p>25 the next page, I believe. There's one that is --</p>

Page 190	Page 192
<p>1 it would be like that page if you can see.</p> <p>2 Q The page that's Bates labeled ending</p> <p>3 22545?</p> <p>4 A Yeah. It would be like this page, and</p> <p>5 it would be all the way down, and it would have</p> <p>6 more than those amount of things.</p> <p>7 Q Okay.</p> <p>8 A It would have maybe twenty-five things,</p> <p>9 but it would be like that. It would be more</p> <p>10 completed. Then there would be a number. And</p> <p>11 then it would be total completed and stored, and</p> <p>12 then balance to finish.</p> <p>13 Q Okay.</p> <p>14 A So it would be like that one where it</p> <p>15 says side work. Exactly like that.</p> <p>16 Q Do you know how I should read this</p> <p>17 document? Again, I'm not from your world, so if</p> <p>18 you can help me. How would I read the page that's</p> <p>19 Bates labeled 2254?</p> <p>20 A Can I just see it for a minute? So this</p> <p>21 is, I believe, the second page of the AIA.</p> <p>22 Q Okay.</p> <p>23 A The third page has this thing on it.</p> <p>24 Q Okay.</p> <p>25 A It's just a three-page document. It's</p>	<p>1 the back of house space, all the offices</p> <p>2 downstairs. You rip out -- for example, there was</p> <p>3 a pool that Glenn did shaped like a woman's</p> <p>4 anatomy. I'll just leave it at that. And it was</p> <p>5 vulgar. And we ripped out the pool and did a new</p> <p>6 pool. So that would be in there as a change order</p> <p>7 from the pool.</p> <p>8 So the way you read this is, they're</p> <p>9 saying here, there's thirty-five seven fifty is</p> <p>10 the original contract price.</p> <p>11 Q So let's start with the date. So it</p> <p>12 says period two, and there's a date here, 1/31/14?</p> <p>13 A Yeah, 1/31/14.</p> <p>14 Q Okay.</p> <p>15 A So they're saying that the original</p> <p>16 contract was thirty-five seven fifty to do this</p> <p>17 scope of work. If there were any change orders,</p> <p>18 they should be over here on the left because they</p> <p>19 add them in. Then they say, total completed and</p> <p>20 stored to date is five million seven. If you want</p> <p>21 to know what the five million seven is, you just</p> <p>22 flip the next page and there should be a line here</p> <p>23 that says, total completed and stored to date.</p> <p>24 This doesn't say five seven, but this isn't right.</p> <p>25 It's says fifty-three thousand --</p>
Page 191	Page 193
<p>1 architectural blah, blah, blahs. It's a</p> <p>2 certificate for the work that was completed.</p> <p>3 THE WITNESS: What is it?</p> <p>4 MR. REINHART: Page one, page two.</p> <p>5 BY MS. SPRINGER-CHARLES:</p> <p>6 Q So how should I interpret this? How</p> <p>7 would you --</p> <p>8 A So first of all, on your left, they</p> <p>9 should put in the change orders, right? Every job</p> <p>10 had change orders.</p> <p>11 Q Okay.</p> <p>12 A I mean, this job had two, two and a half</p> <p>13 million of change orders.</p> <p>14 Q What does that mean?</p> <p>15 A So a change order is that, I hire you to</p> <p>16 do this, and then what happens is you have to</p> <p>17 do -- I hire you to do X, and you have to do Y.</p> <p>18 Okay. So I hire you to build this elevator shaft</p> <p>19 and put this elevator in. And then I say, oh, I</p> <p>20 want gold on the side, special lights and whosey</p> <p>21 jiggies. And so it becomes something else, or the</p> <p>22 scope of work becomes something else. Right.</p> <p>23 So I hire you to do this basic design.</p> <p>24 And then what happens is, you don't do that</p> <p>25 design. You do a five star hotel and you do all</p>	<p>1 Q I guess if you keep going.</p> <p>2 MR. REINHART: If you keep flipping --</p> <p>3 THE WITNESS: Oh, okay.</p> <p>4 MR. REINHART: -- to page four.</p> <p>5 THE WITNESS: Five seven.</p> <p>6 BY MS. SPRINGER-CHARLES:</p> <p>7 Q Okay.</p> <p>8 A Okay. So there's the five seven. That</p> <p>9 should tie out.</p> <p>10 Q Do I read that to mean that as of</p> <p>11 1/31/14, the five point seven million was spent on</p> <p>12 the project? Is that how I should -- in layman's</p> <p>13 terms --</p> <p>14 A Yes, that's how you should read it. The</p> <p>15 only trick is on this one, it's very confusing</p> <p>16 because we didn't do a property purchase. We did</p> <p>17 an LLC purchase. So the only thing is, I believe,</p> <p>18 there was about four and a half, and I'm going</p> <p>19 from memory, it could be five and a half, but</p> <p>20 around four and a half to five and a half million</p> <p>21 dollars worth of work that was in the AIA that was</p> <p>22 already done under when Glenn owned 160.</p> <p>23 Q And would it be included in the five</p> <p>24 point seven million?</p> <p>25 A I don't know. I don't know. I just</p>

<p style="text-align: center;">Page 194</p> <p>1 know that I remember that quagmire of that thing. 2 I never understood why it had to stay there. 3     <b>Q Okay.</b> 4     A And then -- 5         MS. IVORY: And if we can turn to when 6         you have -- 7             BY MS. SPRINGER-CHARLES: 8         <b>Q Were you finished with -- you were</b> 9         <b>pointing --</b> 10        A I was just going to say, then the 11        balance should be whatever that balance is, plus 12        whatever those change orders are. That number 13        could go up. 14        <b>Q So the balance is how much?</b> 15        A Thirty million. At this point, it 16        should be thirty million to finish the hotel. 17        <b>Q To finish. Plus if there were</b> 18        <b>anything --</b> 19        A Change orders. 20        <b>Q Then you'd add that to the thirty</b> 21        <b>million?</b> 22        A Exactly. 23        <b>Q Okay.</b> 24        MS. IVORY: So we're going to turn to 25        the page Bates stamped ending in 4267. It's an</p>	<p style="text-align: center;">Page 196</p> <p>1 the account descriptions? 2         THE WITNESS: No. And just to be really 3         one hundred percent clear, this was Frank 4         Orenstein with a friend of his. If they send it 5         to me -- to me, I'm reading it for the first time 6         today. I believe you that I got it, but I don't 7         even know why they couldn't, for example, would to 8         tell them about the FF&amp;E. I don't really know. I 9         don't understand why. 10        MS. IVORY: So the FF&amp;E numbers recorded 11        on the trial balance, the one we just spoke of 12        ending in Bates stamp 34276, so that thirty-two 13        thousand -- I mean, thirty-two million dollars 14        under contractor fees, that wasn't anything that 15        you discussed with him, the presentation, the 16        thirty-two million as contractor fee? 17        THE WITNESS: I honestly don't remember. 18        I don't really know -- I understand this looks 19        like a fifteen million loan presentation to this 20        guy in Toronto, but I don't really know what the 21        numbers are, other than when he says he saw the 22        cost for thirty-six million for the hotel, and 23        then they put in seven seventy-six. I understand 24        that. And the mortgage was twenty-seven four, I 25        can tell you that. I don't know why he wouldn't</p>
<p style="text-align: center;">Page 195</p> <p>1 email to you from Ed Miranda, and it's titled, 2 Palm House Fifteen Million Long Presentation. 3         MS. SPRINGER-CHARLES: The date is 9/25? 4         MS. IVORY: It is 9/25/2014. 5         THE WITNESS: Okay. I've got it. 6         MS. IVORY: I'll give you a chance to 7        take a look at the email to see if it helps 8        recollect any memories. 9         THE WITNESS: Okay. I'm sorry. Could 10        you tell me the question again. 11        MS. IVORY: So this email is from Ed 12        Miranda to you, and it says that pretty much that 13        he's created the account description in align with 14        what you would like to show them. And then 15        towards the end of the email it speaks about that 16        the number should be everything that they need. 17        Hopefully, they won't want to take a closer look 18        at some of the big numbers, such as contractor and 19        FF&amp;E. Is there any specific reason why the 20        account description was created by Ed Miranda? 21        THE WITNESS: I don't know. And I don't 22        know why they don't want to look at the contract 23        because the contract is in here. It doesn't make 24        sense to me. 25        MS. IVORY: So did you ask him to change</p>	<p style="text-align: center;">Page 197</p> <p>1 give him an FF&amp;E budget. I really don't know. 2         MS. IVORY: So did you make a request to 3         him to prepare a trial balance with the balance of 4         forty-four million, two hundred and eighty-five 5         thousand, nine hundred and fifty-eight dollars on 6         that? 7         THE WITNESS: I don't ever remember 8         making that request. Frank may have made it. 9         Frank made have told Jade to call him. Frank used 10        Jade as a right-hand person, too. So it could've 11        been done, but I don't remember. 12        MS. IVORY: Okay. Thank you. 13        MS. SPRINGER-CHARLES: I'll ask the 14        Court Reporter to mark a copy of this spreadsheet 15        that's Bates labeled SEC-LAUDANONP-0001716 through 16        1719 as Exhibit No. 159. 17        (SEC Exhibit No. 159 was 18        marked for identification.) 19        BY MS. SPRINGER-CHARLES: 20        <b>Q I'm showing what's been marked as</b> 21        <b>Exhibit No. 159.</b> 22        <b>Have you ever seen this spreadsheet</b> 23        <b>before?</b> 24        A Yes. I saw this spreadsheet last week. 25        <b>Q How did you see this last week?</b></p>

Page 198	Page 200
<p>1       A I asked Nicky to give me -- to make a 2       copy of all of the accounting, so that I would 3       know the numbers better.</p> <p>4       <b>Q And is this what he gave you?</b></p> <p>5       A I don't know if he gave it to me. He 6       was going to make a copy. I don't think he gave 7       it to me, but I think he --</p> <p>8       <b>Q You saw it?</b></p> <p>9       A I saw it.</p> <p>10      <b>Q Okay.</b></p> <p>11      <b>And what you saw, did the numbers --</b> 12      <b>like let's just look at the last page, the totals</b> 13      <b>page, is this what the total looked like when you</b> 14      <b>saw it? Was it the same totals?</b></p> <p>15      A Yeah, because I was asking him about it, 16      did that -- I was trying to find out, did that 17      include the five million -- the four five or five 18      from Glenn, and that's what I was trying to find 19      out, and I don't know if I ever really got the 20      answer. I had asked him, could you get an 21      accountant, get everything together, so that I can 22      have it for my records. I got lawsuits going on. 23      I've got to have this stuff done. He said, it's 24      tax season, I'm not going to be able to get the 25      guy until after April.</p>	<p>1       <b>This four million, seven hundred,</b> 2       <b>eighty-nine thousand, one hundred thirty-five</b> 3       <b>dollars and seventy cents, it says, payment due</b> 4       <b>AIA, do you see that, 8/31/2013?</b></p> <p>5       A Right.</p> <p>6       <b>Q And then in the first bank NAHCS column,</b> 7       <b>it says, Pre-July 8th to -- I don't know what it</b> 8       <b>says beyond that, total funding, same number, and</b> 9       <b>accounts payable, same number. What does that</b> 10      <b>number represent?</b></p> <p>11      A I thought that was -- I thought that was 12      his accounts payable. Oh, wait. This is 13      thirteen. I know that he's got a lien for three 14      or four million dollars. I don't think it's four 15      seven.</p> <p>16      <b>Q Right.</b></p> <p>17      <b>Is that related to their funds you were</b> 18      <b>talking about that went in under Glenn Straub?</b></p> <p>19      A Yes. Yes, that's what it is. That's 20      the number.</p> <p>21      <b>Q Okay. Can you explain that to me.</b></p> <p>22      A I don't really understand it. I know 23      that -- I knew about -- I said four and a half to 24      five million, I guessed. So I was right. That 25      went under the AIA that was done originally for</p>
<p>1       <b>Q Is that the first time you went through</b> 2       <b>with Nick, the accountant?</b></p> <p>3       A Yes.</p> <p>4       <b>Q Why?</b></p> <p>5       A I was coming here, and I thought you 6       might ask me some questions. I wanted to know -- 7       I wanted to try to remember the deal.</p> <p>8       <b>Q Why didn't you do it before now?</b></p> <p>9       A I didn't have any reason to. I don't 10      think Nick would ever lie to me. I trust him as a 11      friend. And I can't imagine that, you know, he 12      would never not do what he was supposed to do with 13      the hotel. I mean, he sat there for three years 14      and ten months babysitting with Glenn. And he's a 15      good guy. So I just knew I was coming in. I 16      wanted to go through it and understand it.</p> <p>17      <b>Q Okay.</b></p> <p>18      <b>Did you agree with the entries that he</b> 19      <b>had on this report, on Exhibit No. 159?</b></p> <p>20      A I didn't have anything to compare it to. 21      I don't have -- my accounting that I did that the 22      lawyers hired a guy to go do, I never finished it. 23      I just had money that went to Palm House. It 24      never was finished with the due to, due froms.</p> <p>25      <b>Q Okay.</b></p>	<p>1       around thirty-five million dollars, of which about 2       five million, I told you, was under Glenn, but it 3       was with the same company, with 160. So for some 4       reason that's how we did it. I think it's a wash. 5       I think four seven comes in and four seven goes 6       out. I don't think it affects anything.</p> <p>7       <b>Q Okay.</b></p> <p>8       A But I didn't really understand it. I 9       really didn't understand it. It's as simple as 10      that.</p> <p>11      <b>Q You didn't finish your accounting to</b> 12      <b>determine whether or not this spreadsheet is</b> 13      <b>accurate as far as how many funds came over to</b> 14      <b>Nick or any of his companies?</b></p> <p>15      A Yeah. Yeah. And for what I think the 16      hotel still owes me in money that was put in under 17      the boat and under this whole thing to see where 18      we are, like does the hotel owe me two million 19      bucks, you know, what was the true-up.</p> <p>20      <b>Q What do you believe the hotel owes you?</b></p> <p>21      A I don't know. I just said that I don't 22      know.</p> <p>23      <b>Q I mean, general. I didn't know that you</b> 24      <b>thought the hotel owed you anything.</b></p> <p>25      A Well, I put -- we put money in under the</p>

<p style="text-align: center;">Page 202</p> <p>1 boat. Alibi boat wasn't for me. It was for the  2 hotel. And so money -- Mia used the money that  3 she got from Bonaventure, that million dollars.</p> <p>4 <b>Q The developer fee?</b></p> <p>5 A No. The million dollars of -- remember,  6 I talked about the five hundred and one keys we  7 bought?</p> <p>8 <b>Q When you sold the eighteen percent  9 interest?</b></p> <p>10 A Yes. Yeah, I think that part of the  11 money went in there. So there's money owed back.</p> <p>12 <b>Q And she used the money from there to do  13 what for the boat?</b></p> <p>14 A To pay all the improvements. We worked  15 our little butts off on that boat to get it done.</p> <p>16 <b>Q And what other fund does the hotel owe  17 you? And I don't mean specifically. I mean what  18 categories?</b></p> <p>19 A The only categories could be the two one  20 point one fees, which is two two.</p> <p>21 <b>Q Which you said you took already.</b></p> <p>22 A No, I don't know what I took. I knew I  23 took one. I don't know if I took the other one.</p> <p>24 <b>Q Okay.</b></p> <p>25 A I think I even said -- if you check, I</p>	<p style="text-align: center;">Page 204</p> <p>1 A And prior to the receiver coming in,  2 yes.</p> <p>3 <b>Q Okay. Okay.</b></p> <p>4 So it would be the broker fee, the money  5 Mia spent on the boat, and anything that you spent  6 on, I guess, paying individuals or running the  7 hotel between the blow up --</p> <p>8 A Right.</p> <p>9 <b>Q -- and the time that the receiver came  10 in?</b></p> <p>11 A I mean, if I were guessing, I would say  12 maybe the boat was seven hundred grand. The rest  13 in development fee call it six. That's a million  14 three and one seven, it's three million dollars,  15 so --</p> <p>16 <b>Q Owed to you?</b></p> <p>17 A Between two and three million dollars.</p> <p>18 <b>Q To you or Mia?</b></p> <p>19 A Yeah. And I don't know exactly. I'm  20 guessing. So in my head, that's what I have in my  21 head.</p> <p>22 <b>Q Okay.</b></p> <p>23 <b>What is NJL Development Group?</b></p> <p>24 A It's one of Nick Laudano's LLCs.</p> <p>25 <b>Q Did you have any relationship to that</b></p>
<p style="text-align: center;">Page 203</p> <p>1 think I said I took about five hundred thousand is  2 my guess on what I took of the second one.</p> <p>3 <b>Q Okay.</b></p> <p>4 A That's my guess with the due to, due  5 froms when you clean it up.</p> <p>6 <b>Q Okay. So you maybe owed another five  7 hundred --</b></p> <p>8 A Five or six hundred. And then since  9 then -- since that then there was -- when we did  10 the closing there was a fee that I had set aside  11 of -- I believe it was a million, eight  12 seventy-five that we never took because the hotel  13 could really never afford to pay it. It was when  14 we went to the closing. We were about four and a  15 half million dollars, five million short. We  16 closed the hotel without having enough money.</p> <p>17 <b>Q Right.</b></p> <p>18 A So there's that fee. And then just the  19 money that was put back in. You know, I paid  20 legal. I paid boat stuff. I paid salaries, all  21 that stuff. That money got back in after this,  22 after the blow up.</p> <p>23 <b>Q After the blow up?</b></p> <p>24 A Yeah. There's that money.</p> <p>25 <b>Q And prior to the receiver coming in?</b></p>	<p style="text-align: center;">Page 205</p> <p>1 <b>entity?</b></p> <p>2 A No. I don't know what it did. It  3 wasn't the construction company.</p> <p>4 <b>Q Do you think that might be the entity  5 that purchased the property that you used to own  6 in Connecticut?</b></p> <p>7 A Oh, 115. Okay.</p> <p>8 <b>Q 115.</b></p> <p>9 A Okay. That's what it was.</p> <p>10 <b>Q Okay.</b></p> <p>11 <b>Was it formed simply to purchase the  12 property, 115?</b></p> <p>13 A I don't think so. I think he had that  14 company for a while. I think that was his  15 development company to do purchases of properties  16 and stuff, but I don't know. I don't want to  17 guess.</p> <p>18 <b>Q Right. Because I think when we look in  19 the records, it would've been formed shortly  20 before he bid on the property.</b></p> <p>21 A It was?</p> <p>22 <b>Q I believe so.</b></p> <p>23 A Oh, okay. Then he set up that one for  24 that. I didn't know.</p> <p>25 <b>Q What is NJL Investments?</b></p>

Page 206	Page 208
<p>1       A I don't know. I don't know what LLCs he 2 has.</p> <p>3       <b>Q</b> Why weren't you a signatory on 160 Royal 4 Palm's or Palm House PB's bank accounts? Why 5 weren't you an authorized signatory?</p> <p>6       A Yeah. I don't have any bank accounts, 7 and I haven't since I lost three hundred and 8 thirty-five million dollars in '08.</p> <p>9       <b>Q</b> But I think we established already that 10 you were the person who really controlled those 11 accounts?</p> <p>12      A Yes, a hundred percent.</p> <p>13      <b>Q</b> As well as the funds that Les -- well, 14 not necessarily. We'll get to the funds that were 15 held by Les Evans.</p> <p>16      Who had access to the funds, I guess, to 17 160 Royal Palm's bank accounts, who had access?</p> <p>18      A I think just Jade.</p> <p>19      <b>Q</b> Jade.</p> <p>20      I think Les was also an authorized 21 signatory on 160's and Palm House PB's accounts, 22 but do you know if he ever executed any 23 transactions into or out of those accounts?</p> <p>24      A I didn't even know he was a signatory.</p> <p>25      <b>Q</b> Okay.</p>	<p>1       <b>Q</b> What about how many Palm House PB? I 2 know you said you don't recall the accounts, 3 but --</p> <p>4       A I don't remember. I believe it was the 5 account we used for the boat, but I just -- I 6 could've had a debit card. I don't remember.</p> <p>7       <b>Q</b> Did anyone else -- did the girls, your 8 daughters, have access to any of these debit 9 cards?</p> <p>10      A No.</p> <p>11      <b>Q</b> Okay.</p> <p>12      I'm going to show you several documents, 13 and first, I'll ask if you know what it is. I'm 14 showing you what's been marked -- you can share, 15 Exhibit 11.</p> <p>16      Have you ever seen that document?</p> <p>17      A It looks like a chart of accounts. I 18 don't know if I've seen it or not.</p> <p>19      <b>Q</b> You produced it, so I just want you to 20 take your time to look at it to see if you 21 recognize it.</p> <p>22      A I produced it in an email or something?</p> <p>23      MR. REINHART: No. We produced it to 24 them in discovery -- in response to their 25 subpoena.</p>
<p style="text-align: center;">Page 207</p> <p>1       <b>Did Mia have access to 160 Royal Palm's 2 bank account?</b></p> <p>3       A No. No.</p> <p>4       <b>Q</b> Did she have a debit or credit card 5 associated with that account?</p> <p>6       A She could've, but I don't remember, but 7 she could've very well had it.</p> <p>8       <b>Q</b> Okay.</p> <p>9       <b>How about Palm House PB's bank accounts, 10 did Mia have access?</b></p> <p>11      A I don't know. I didn't know they had a 12 bank account till you told me about an hour and a 13 half ago.</p> <p>14      <b>Q</b> Okay.</p> <p>15      <b>Did Nick have access to either 160 Royal 16 Palm's or Palm House PB's bank account?</b></p> <p>17      A No.</p> <p>18      <b>Q</b> Did you have any access to any of Nick's 19 bank accounts associated with any of his 20 companies?</p> <p>21      A No.</p> <p>22      <b>Q</b> Did you have a debit or a credit card 23 associated with any of 160's bank accounts?</p> <p>24      A Probably. I remember for gas and travel 25 when I went overseas.</p>	<p style="text-align: center;">Page 209</p> <p>1       THE WITNESS: I don't know. I must've 2 found it and gave it to you.</p> <p>3       BY MS. SPRINGER-CHARLES:</p> <p>4       <b>Q</b> <b>But you don't know what it is?</b></p> <p>5       A It looks -- I mean, it says, Chart of 6 Accounts, so I assume it's a chart of accounts for 7 something.</p> <p>8       <b>Q</b> Right.</p> <p>9       <b>Do you recall seeing it before today?</b></p> <p>10      A I mean, it could be the chart of 11 accounts for 160, but I don't know. It says 12 watercraft. I don't know. I don't know. I'm not 13 sure.</p> <p>14      <b>Q</b> <b>Did Jade maintain a chart of accounts 15 for 160?</b></p> <p>16      A She had QuickBooks.</p> <p>17      <b>Q</b> <b>She had QuickBooks.</b></p> <p>18      A Yeah.</p> <p>19      <b>Q</b> Okay.</p> <p>20      MS. IVORY: Was she the only one who 21 used the QuickBooks software, or did you enter 22 transactions?</p> <p>23      THE WITNESS: No. I'm sorry. I don't 24 mean to shake my head. No, I never entered a 25 transaction to QuickBooks. I wouldn't even know</p>

<p style="text-align: right;">Page 210</p> <p>1 how to do that.</p> <p>2 MS. IVORY: Did you review the</p> <p>3 transactions that she entered?</p> <p>4 THE WITNESS: I did with the accountant</p> <p>5 that the lawyer hired.</p> <p>6 MR. REINHART: Clarify the time frame.</p> <p>7 I think the question is, in realtime back in 2012,</p> <p>8 '13, '14, '15, would you review Jade's work, not</p> <p>9 did you after the fact, have you gone back and</p> <p>10 investigated with your lawyers?</p> <p>11 THE WITNESS: I did go back and</p> <p>12 investigate with my lawyers after the fact, yes.</p> <p>13 MS. IVORY: Okay.</p> <p>14 BY MS. SPRINGER-CHARLES:</p> <p><b>Q But during between 2012 and the time the receiver was put in place, did you review the accounts?</b></p> <p>18 A I don't think so, but I could've said</p> <p>19 something maybe if she showed it to me. I just</p> <p>20 don't remember.</p> <p>21 MS. IVORY: Maybe in the form of a</p> <p>22 QuickBooks report, as opposed to in the system</p> <p>23 that you reviewed her entries?</p> <p>24 THE WITNESS: I don't remember. It's</p> <p>25 just that when I went through it with the</p>	<p style="text-align: right;">Page 212</p> <p>1 And she had like a photographic memory, so she</p> <p>2 would help with stuff and set up appointments. She</p> <p>3 did everything.</p> <p>4 MS. IVORY: So as it relates to</p> <p>5 accounting, did you ask her to record the</p> <p>6 transactions specifically, or did she just do it</p> <p>7 on her own?</p> <p>8 THE WITNESS: I think she just did it.</p> <p>9 She was really smart.</p> <p>10 MS. IVORY: I'll present to you Exhibit</p> <p>11 No. 31, and this is a QuickBooks report from 160</p> <p>12 Royal Palm.</p> <p>13 Have you ever seen a report like this</p> <p>14 before?</p> <p>15 THE WITNESS: This is the one I believe</p> <p>16 that I went through with the accountant, yes.</p> <p>17 MS. IVORY: Okay.</p> <p>18 So you've never reviewed it with Jade Yu</p> <p>19 before?</p> <p>20 THE WITNESS: I don't remember ever</p> <p>21 reviewing it with Jade.</p> <p>22 BY MS. SPRINGER-CHARLES:</p> <p><b>Q You mentioned that there were some things that were not classified the way that you would've have put -- either directed Jade to or</b></p>
<p style="text-align: right;">Page 211</p> <p>1 accountant, I saw things that were glaring to me,</p> <p>2 and so I felt like it was the first time I saw</p> <p>3 them.</p> <p>4 MR. REINHART: I think her question is</p> <p>5 along the lines of this: Did you have a practice</p> <p>6 with Jade, you know, once a month you would sit</p> <p>7 down and reconcile accounts --</p> <p>8 THE WITNESS: No.</p> <p>9 MR. REINHART: -- you'd look at the</p> <p>10 checkbook --</p> <p>11 THE WITNESS: No.</p> <p>12 MR. REINHART: -- or you'd reconcile the</p> <p>13 checking account?</p> <p>14 THE WITNESS: No. No.</p> <p>15 MR. REINHART: Was that -- I didn't mean</p> <p>16 to preempt your question.</p> <p>17 MS. IVORY: Yes.</p> <p>18 So, I guess, what did you hire Jade for?</p> <p>19 What was her purpose? Did you hire her to set up</p> <p>20 the accounting?</p> <p>21 THE WITNESS: Right-hand person.</p> <p>22 Right-hand person.</p> <p>23 MS. IVORY: And what was her day-to-day</p> <p>24 responsibilities as to accounting?</p> <p>25 THE WITNESS: She kept the QuickBooks.</p>	<p style="text-align: right;">Page 213</p> <p><b>the way you would've chosen to classify them, correct?</b></p> <p>3 A Correct.</p> <p>4 <b>Q Can you point those to me?</b></p> <p>5 A I have one with notes on it.</p> <p>6 <b>Q Okay. We'll get to it.</b></p> <p>7 A And I went through every one of these</p> <p>8 like three times to make sure that if it was grey</p> <p>9 at all, to make sure it was done right. But right</p> <p>10 now could I find something? I could try to look</p> <p>11 for something.</p> <p>12 MS. IVORY: Okay. So based on my</p> <p>13 understanding, this report has a name column, and</p> <p>14 in that name column is the vendor, the person</p> <p>15 that -- or a company that was paid. So if you</p> <p>16 would like, you'll see that, for example, 1&amp;1</p> <p>17 Internet was paid a couple of times. Do any of</p> <p>18 the vendors look as if something you would not</p> <p>19 expect?</p> <p>20 THE WITNESS: Could you just show me</p> <p>21 where like 1&amp;1 Internet is for example? Oh, 1&amp;1.</p> <p>22 Yes, that would be a good example. So 1&amp;1</p> <p>23 Internet, I think there was like maybe fifty</p> <p>24 dollars. That was for my wife's -- my daughter's</p> <p>25 GoDaddy account to -- we got all the names at</p>

Page 214	Page 216
<p>1 once, Mia -- miamathews.com, biancamathews.com,  2 mirandamathews.com. So that would be -- if it  3 was for my daughter, I would've circled that and  4 circled the fifty-eight seventy-nine. And I  5 probably would've left the one with my wife  6 because she was integral. So that could -- I  7 mean, I'm not saying that's what that is, but  8 that's one I would've explored to find out.</p> <p>9 MS. IVORY: Okay. So what exactly do  10 you hire the accountant to do after the fact to  11 review Jade's work?</p> <p>12 THE WITNESS: To go through all of these  13 with me and make sure, what I talked about before,  14 the due to, due from column was correct.</p> <p>15 MS. IVORY: Okay.</p> <p>16 And did you get any reports or summaries  17 from this accountant, or is it still in progress?</p> <p>18 THE WITNESS: I owe him five thousand  19 dollars, and I haven't been able to pay him. So  20 I'm trying to get the money I put into the  21 receiver's money about four months ago to get the  22 balance of the money and a ten thousand dollar  23 advance, so he could finish everything.</p> <p>24 MS. IVORY: So is it fair to say that  25 the accountant is assisting you with identifying</p>	<p>1 MS. SPRINGER-CHARLES: S-T-O-H-L-M-A-N?  2 MR. REINHART: Yes.</p> <p>3 MS. IVORY: Thank you.</p> <p>4 BY MS. SPRINGER-CHARLES:</p> <p>5 Q Where's he located? Up in Palm Beach?</p> <p>6 A He's in PGA.</p> <p>7 MR. REINHART: Palm Beach County.</p> <p>8 THE WITNESS: And my lawyer hired him  9 for attorney/client privilege, but I always wanted  10 to show it to you when it was done because I  11 thought it was really a good thing.</p> <p>12 MR. REINHART: Let me stop you. Well  13 make that decision.</p> <p>14 THE WITNESS: Sorry. Sorry.</p> <p>15 MR. REINHART: Don't break any  16 privileges without talking to me first.</p> <p>17 THE WITNESS: Okay. Sorry.</p> <p>18 BY MS. SPRINGER-CHARLES:</p> <p>19 Q I'm showing you what's been previously  20 marked as Exhibit 14.</p> <p>21 Do you recognize this document?</p> <p>22 To me, it looks like a more detailed  23 version of the last exhibit, but maybe at a  24 different point in time.</p> <p>25 A Is it 160?</p>
<p>1 your personal expenses versus those owed to 160  2 Royal Palm?</p> <p>3 THE WITNESS: To make sure that the draw  4 numbers are correct, absolutely correct.</p> <p>5 MS. IVORY: And the due to/from  6 balances, correct?</p> <p>7 THE WITNESS: Yes, absolutely.</p> <p>8 MS. IVORY: And is it fair to say that  9 based on your approximation, about five hundred  10 thousand dollars of these expenses may belong to  11 you in the due to/from account?</p> <p>12 THE WITNESS: Yeah, but I just don't  13 really know because I'm doing it from memory. I  14 did it with the accountant two years ago. So I'm  15 just guessing. I'd really like to know the exact  16 number.</p> <p>17 MS. IVORY: Okay.</p> <p>18 THE WITNESS: Okay.</p> <p>19 BY MS. SPRINGER-CHARLES:</p> <p>20 Q Who's the accountant?</p> <p>21 A What's his name? Matthew.</p> <p>22 Q Matthew?</p> <p>23 A Matthew Stohlman.</p> <p>24 MR. REINHART: S-T-O-H-L-M-A-N, I  25 believe.</p>	<p>1 Q On the first page on the left-hand side,  2 it's 7918, Regions checking. I don't know if that  3 helps you to refresh your mind --</p> <p>4 A Yes, it does, because I get an email  5 today from Justin. I've been trying to get a copy  6 of the checks for months and months and months.  7 And he sent them over twice, and it didn't work.  8 And he won't let me go there with a thing that you  9 put in the computer and get them. And my  10 accountant doesn't want to go by the QuickBooks.  11 He wants to go by the checks written. He says  12 that if he's going to do a forensic accounting and  13 he ever has to testify, he wants to actually see  14 the checks. So I literally have an email that  15 Justin said today ironically that he sent --</p> <p>16 MR. REINHART: Who's Justin?</p> <p>17 THE WITNESS: He's the manager of  18 Regions Bank that I've been asking for.</p> <p>19 BY MS. SPRINGER-CHARLES:</p> <p>20 Q So have you seen this document before?</p> <p>21 A I don't know the back of it, but I know  22 the front of it. It looks like the thing I just  23 looked at only smaller print.</p> <p>24 Q Okay.</p> <p>25 And it appears to be broken out by</p>

<p style="text-align: right;">Page 218</p> <p>1       <b>account type.</b>  2       A Okay.  3       MR. REINHART: Just to be clear, this is  4       not a document that we produced.  5       THE WITNESS: Okay. I don't really  6       understand, because it says something. Then it  7       doesn't even have the check amount or anything.  8       MR. REINHART: It's maybe the way it was  9       printed out.  10      MS. SPRINGER-CHARLES: It's just the way  11       it was printed out.  12      THE WITNESS: Oh, okay. I saw the front  13       of this before.  14      MS. IVORY: Okay. If you could turn to  15       the page Bates stamped ending in 51. And on the  16       left side of this document there's a general  17       ledger account 66000 entitled, Payroll Expenses.  18      THE WITNESS: Okay.  19      MS. IVORY: I notice that the total  20       amount of expenses was zero. And based on our  21       prior discussions, I believe you had Jade Yu and  22       others working for you, but I notice there's no  23       payroll expense.  24      THE WITNESS: All the payroll -- Nicky  25       was set up to do the payroll. So all the payroll</p>	<p style="text-align: right;">Page 220</p> <p>1       THE WITNESS: Yes. Seventh Art did all  2       the branding. They did a great job in New York  3       City. So they did the web -- well, they were  4       doing the website, and they were doing all of the  5       brochures and all of the stuff with Inga Moore,  6       and did a fabulous job. They're a good company.  7       MS. IVORY: And Lawrence A. Moens  8       Associates?  9       THE WITNESS: I don't know why we paid  10       Lawrence. He had the contract on the land behind  11       the Palm House. He was the broker, that he  12       brokered that contract, so we could buy it.  13       MS. IVORY: Okay.  14       And HBS Consulting and Valuation?  15       THE WITNESS: Yeah. They were the  16       appraisers that Frank hired to do two appraisals  17       on the project.  18       MS. IVORY: And those were appraisals  19       for Palm House?  20       THE WITNESS: Yeah. One was to go back  21       and look at the appraisal that was done in '08 and  22       verify the numbers. It was about a hundred and  23       thirty million dollars. So they went through and  24       said these rates are the same, these -- it's about  25       a three-page agreement.</p>
<p style="text-align: right;">Page 219</p> <p>1       ran through him, and he did a due to, due from on  2       the payroll.  3       MS. IVORY: Okay.  4       And outside of Jade, is there anyone  5       else who was on site helping you with day-to-day  6       functions that would've been paid under your  7       payroll?  8       THE WITNESS: I really just had Jade.  9       MS. IVORY: Okay.  10       And also if we take a look at -- oh, at  11       the bottom of that page, there's another general  12       ledger account, 66700, professional fees. There's  13       one right below it called consultant. Can you  14       help me understand the basis of -- like the  15       consultants that you used for the project and the  16       type of work that they performed?  17       MR. REINHART: She's asking you --  18       MS. IVORY: If you look at that column,  19       the first one there's Kevin Wright, but there's  20       other individuals' names, such as --  21       MR. REINHART: His eyesight is not  22       great, so maybe if you just give him the names,  23       he'll --  24       MS. IVORY: Okay. So there's the  25       Seventh Art.</p>	<p style="text-align: right;">Page 221</p> <p>1       And then the other one they appraised  2       Condo B, not Condo A. So that's very important.  3       Because Condo A was all the residential space, and  4       Condo B was all of the other space, the commercial  5       space. So they appraised it as if Condo A was  6       sold, forty-four thousand, five hundred square  7       feet was sold, as a condo, those individual  8       condos, and they took the residual cash flow of  9       that, and they appraised just Condo B, what was  10       left over. I think they did a bad cap rate, but I  11       think it came out to about seventy-three as is and  12       eighty-two finished or eighty-one finished. So  13       that's that.  14       MS. IVORY: Okay.  15       And I see Kevin Wright listed here. I  16       know we spoke of him earlier before, but just can  17       you refresh my memory as to the services he  18       provided.  19       THE WITNESS: Yeah. So Kevin Wright --  20       so Joe hired Kevin Wright to raise EB-5 money.  21       MS. IVORY: Okay.  22       Did you have any other individuals that  23       were paid to help raise EB-5 money?  24       THE WITNESS: Not that I know of.  25       MS. IVORY: Okay.</p>

<p style="text-align: right;">Page 222</p> <p>1        There's one more person, Monica Venegas?  2        THE WITNESS: Yeah, Venegas.  3        MS. IVORY: Venegas.  4        THE WITNESS: Venegas, yeah. She was  5        the person we hired to go over to -- not Cabtree,  6        Sardinia with Greg Norman and do a series of  7        parties, two big parties and a golf outing with  8        Greg.  9            BY MS. SPRINGER-CHARLES:  10          <b>Q    What does Ed Miranda do? We saw him before.</b>  11          A    Yeah. So Ed was a real smart guy. He  12        worked for Frank. That's how I met him. And at  13        one point, I believe he came on the payroll. You  14        could check with Nicky, I think he was on the  15        payroll. I think maybe even to this day. And  16        he -- he used to work at the Breakers. He was a  17        number cruncher. So he would do -- he would look  18        at the star reports on what hotels are going for.  19        So he would look at the rates and what you should  20        get for this hotel and how many square feet it is.  21        Then he looked at the occupancy. He'd start out  22        with sixty percent occupancy and move it up to  23        sixty-five, go to sixty-eight over a five-year  24        period. So he was as number cruncher guy. A</p>	<p style="text-align: right;">Page 224</p> <p>1        were going to price the club at. They did all of  2        the brochures that they did over at Seventh Art,  3        and they put together -- they did the writing on  4        those things to get it right because Seventh Art  5        wasn't doing a good job. So they were really  6        smart.  7        MS. IVORY: And the last one here, SB  8        Architects?  9        THE WITNESS: SB Architects did the --  10       they were the architects for phase two. They did  11        the layouts and all of the square footage, how  12        many square feet you can get on that project and  13        how it connected to Palm House.  14        BY MS. SPRINGER-CHARLES:  15          <b>Q    And what's phase two again?</b>  16          A    Joe called it Palm House Residences, the  17        piece behind, the piece contiguous.  18          <b>Q    The 149 piece?</b>  19          A    Yes.  20          <b>Q    Okay.</b>  21          <b>Who else was paid through Nick Laudano's company?</b>  22          A    I have know idea.  23          <b>Q    Well, you said Jade. And you said maybe Ed Miranda. Who else was being paid through the</b></p>
<p style="text-align: right;">Page 223</p> <p>1        very, very smart kid.  2        MS. IVORY: Luxury Attache?  3        THE WITNESS: That was -- that was if  4        you bought a unit or if you joined the club, you  5        had your own concierge. So if you went in New  6        York City and you had your own concierge, it might  7        cost you thirty or forty grand a year. If you  8        came to the hotel and you had a unit or if you  9        joined the club, you had your own person there.  10       You need to get reservations, per se, on a  11       Saturday night, they would go make that happen.  12       Really keeping it up -- it's sort of going to the  13       Breakers and going up a level for the five star  14       service. This hotel was all about service.  15       BY MS. SPRINGER-CHARLES:  16          <b>Q    Why were they paid, though? The hotel wasn't built yet.</b>  17          A    Yeah. No. They did all kinds of work  18        on all of the stuff with Michael Meen, all the  19        layouts. They did a ton of work.  20        MR. REINHART: You made a hand signal.  21        The record doesn't reflect when you said they did  22        stuff. What did they do, in words?  23        THE WITNESS: They did all of the  24        layouts for the club, all of the -- all of what we</p>	<p style="text-align: right;">Page 225</p> <p>1        <b>payroll --</b>  2        A    I don't know if Ed was paid through  3        Nick.  4          <b>Q    I know you said maybe. You weren't sure.</b>  5        A    One time he worked for Frank, so he  6        might've got paid through Frank and Frank paid Ed.  7        I don't know if he actually worked for him at that  8        time.  9          <b>Q    Okay. Well, who else besides Jade?</b>  10       A    Who else did he have on his payroll?  11          <b>Q    Not related specifically to his business, but related to you, like Jade wasn't specifically related to him, correct? She was tied to 160 or to Palm House or to you, right?</b>  12       A    She was my right hand and think it  13        person.  14        MR. REINHART: Listen to the question.  15        BY MS. SPRINGER-CHARLES:  16          <b>Q    Who else --</b>  17        MR. REINHART: Were there anybody else  18        like Jade --  19        BY MS. SPRINGER-CHARLES:  20          <b>Q    -- like Jade who was being paid through New Haven?</b></p>

<p>Page 226</p> <p>1 A There was only one Jade. There were 2 other people that worked that Jade and I -- 3 4 <b>Q That worked for the hotel -- let me</b> 5 <b>be -- that worked for the hotel or on the hotel,</b> 6 <b>but not for Nick specifically.</b> 7 A No. It's such a tough question, because 8 it wasn't like that. They were paid by -- for 9 example, there was a room on the right, and there 10 would be people that worked with all the 11 blueprints and all the ordering. It was for the 12 hotel. It wasn't -- it wasn't to put a piece of 13 plumbing in the floor, but it was with the 14 designer and all the work with the designer for 15 all the prints. I mean, prints -- each room had a 16 set of prints this -- about two inches thick. So 17 there were people that were in procurement to buy 18 things for the hotel, to work with the FF -- 19 furniture, fixtures, and equipment, but it all 20 tied in with the construction. 21 <b>Q Those people worked for Nick on other</b> 22 <b>projects or just people related to Palm House?</b> 23 A Oh, no. Just for Palm House. 24 <b>Q Okay. So that's what I'm asking.</b> 25 A Yeah. I'm sorry. I didn't understand. Oh, you mean what are their names?</p>	<p>Page 228</p> <p>1 2 <b>Q Okay. What do you mean by that?</b> 3 A I mean, if I had a person that was 4 paid -- if Nicky paid -- there was a guy that 5 worked for me at one time before that helped me at 6 the house before he then worked for the hotel, but 7 he worked for me at one point. When he worked for 8 me, it was kept separate track. And let's just 9 say he got paid -- I'm making this up -- forty 10 thousand dollars, that was on the due to, due from 11 that I talked about before. I can't think of the 12 guy's name, but if I could, I would tell you. 13 <b>Q What due to, due from?</b> 14 A On the QuickBooks. 15 <b>Q Okay. On 160's QuickBooks?</b> 16 A Yeah. 17 <b>Q Okay.</b> 18 A The due to, due from file. So if there 19 was -- like I said before, if there was a plane 20 ticket that was wrong or if there was a website 21 for fifty dollars that shouldn't have been paid, 22 everything was gone through and circled, and then 23 it was put on my draw for the other one one or for 24 the brokerage fee. 25 <b>Q Who else besides that -- what was that</b> guy's name?</p>
<p>Page 227</p> <p>1 2 <b>Q Yes.</b> 3 A Oh, I don't know. 4 5 <b>Q How many people?</b> 6 A I think maybe three. 7 8 <b>Q Total, including Jade?</b> 9 A But only Jade worked for me. There were 10 other people that did purchasing in another room, 11 and I'm guessing -- 12 <b>Q I understand.</b> 13 A -- there were three to four desks in 14 there. 15 <b>Q Okay.</b> 16 And then besides those people, were 17 there other people who did other things for Palm 18 House only, but that were paid through Nick's 19 company? 20 A I don't know who else there would be. 21 Maybe I'm not understanding it. 22 <b>Q Okay. Did you have a house staff?</b> 23 A Yes. 24 <b>Q Okay.</b> 25 And were they paid through Nick's company? A They could've. It would've been on a due to, due from. Yes.</p>	<p>Page 229</p> <p>1 A I don't know. I would tell you, but I 2 don't remember. 3 <b>Q He worked for you at your home?</b> 4 A He worked for me at my home. 5 <b>Q For how long?</b> 6 A Between nine months and four years. I 7 don't -- 8 <b>Q And you don't remember his name between</b> 9 <b>nine months and four years?</b> 10 A I really don't remember. Just so you 11 guys know, I was in a coma eighteen years ago, and 12 I had the last rights, and I almost died. I had 13 open lung surgery. And I don't have a great 14 memory. I would tell you if I knew, but I don't 15 know. But I really am trying hard to know. But I 16 can't make it up, if I don't know it. 17 <b>Q How long was he paid through Nick's</b> 18 <b>company?</b> 19 A I have no idea. I'd have to look. 20 <b>Q Okay.</b> 21 Who else was from your house staff was 22 paid through Nick's company? 23 A I didn't have -- the only person it 24 could've been back then, I had a housekeeper, 25 slash, cook, and I had a guy that had a short</p>

Page 230	Page 232
<p>1 first name. I want to say Ed or something, but I  2 don't remember. And I might've had -- did I  3 have -- I could have had another person, but I  4 don't remember.</p> <p>5 <b>Q Do you remember the other two people's  6 names?</b></p> <p>7 A Lourdes, I remember.</p> <p>8 <b>Q She was the housekeeper, slash, cook?</b></p> <p>9 A Yes. I remember Lourdes Maciel, Maciel,  10 M-A-C-I-E-L.</p> <p>11 And there's another guy. He's an  12 electrician. I can't think of his name. I think  13 it's Ed.</p> <p>14 <b>Q And you told Nick that he should pay  15 those folks out of his company?</b></p> <p>16 A Yeah, he paid it. We kept a due to, due  17 from. And I'm sure Nick kept his stuff --  18 hopefully, kept it clean.</p> <p>19 <b>Q I have never seen this due to, due from.  20 Is this something that actually was maintained in  21 QuickBooks that Jade maintained?</b></p> <p>22 A So when -- when we -- when Jade kept the  23 QuickBooks, I then went through with an accountant  24 to make sure --</p> <p>25 MR. REINHART: No. She's talking about</p>	<p>1 my house once. I think it was three grand or  2 something. He kept track of the money that was  3 for me that was the due to, due from with Nick's  4 company.</p> <p>5 MR. GALDENCIO: And where is that?</p> <p>6 THE WITNESS: Well, I started it, but I  7 don't have it done. He never finished his  8 accounting. That's why asked him for last week.</p> <p>9 MR. REINHART: Back in realtime. So in  10 2013, you need air conditioning work done at your  11 house, and Nick sends his air conditioning guy to  12 your house. The bill is three thousand dollars.</p> <p>13 THE WITNESS: Yeah.</p> <p>14 MR. REINHART: Did you pay --</p> <p>15 THE WITNESS: No. Nick paid the guy,  16 and he kept record. It's in his books, a hundred  17 percent.</p> <p>18 MR. GALDENCIO: You have his books?</p> <p>19 THE WITNESS: No, but I remembered  20 talking to the girl upfront that he hired to do  21 the books. I remember saying, make sure this is  22 on me, and she said, yes, I've got it. So I know  23 that it was -- I know he kept track of it.</p> <p>24 MR. GALDENCIO: But then how does that  25 get into your books?</p>
<p style="text-align: center;">Page 231</p> <p>1 in realtime --</p> <p>2 MS. SPRINGER-CHARLES: In realtime.</p> <p>3 MR. REINHART: -- back in 2014.</p> <p>4 BY MS. SPRINGER-CHARLES:</p> <p>5 <b>Q Before the receiver came in place.</b></p> <p>6 A No. No.</p> <p>7 <b>Q You didn't actually -- was this in your  8 head?</b></p> <p>9 A This was in my head. I knew I didn't  10 take -- for a housekeeper and a cook, I didn't  11 take out six hundred grand. So I know -- I know  12 that.</p> <p>13 MR. GALDENCIO: I'm not clear. Let me  14 just clarify with you. The payments were from  15 Nick's account, is that correct?</p> <p>16 THE WITNESS: Correct.</p> <p>17 MR. GALDENCIO: The ones that we're  18 talking about currently, which is for your housing  19 staff?</p> <p>20 THE WITNESS: Right.</p> <p>21 MR. GALDENCIO: And you're thinking that  22 there were entries made in your company's  23 QuickBooks for those payments?</p> <p>24 THE WITNESS: And with Nick's company.  25 Nick did -- for example, he sent the HB AC guy to</p>	<p style="text-align: center;">Page 233</p> <p>1 THE WITNESS: I know I owe X-amount to  2 Nicky. It wasn't on here. It was a personal  3 loan.</p> <p>4 BY MS. SPRINGER-CHARLES:</p> <p>5 <b>Q I think that was your testimony, that it  6 wasn't on your books? It was in your head?</b></p> <p>7 A Yeah. But what he's asking for is about  8 Nicky and I with money, right?</p> <p>9 MR. GALDENCIO: Yes. I'm confused as to  10 the record keeping of amounts paid by Nicky on  11 your behalf.</p> <p>12 THE WITNESS: Okay. So Nicky kept --  13 and I can ask him for it, but he kept a diary of  14 anything he did for me personally, and there's a  15 certain amount of money associated with that that  16 I owe Nicky. That's a fact, a hundred percent.</p> <p>17 MR. GALDENCIO: And then did you pay  18 that money?</p> <p>19 THE WITNESS: Well, I paid -- it goes  20 both ways. When he did the house in Connecticut,  21 I helped him. I gave him, I think, a hundred and  22 forty thousand dollars or something towards a guy  23 that was going to do the roof, and I paid the bill  24 and helped him out. I mean, that was sort of our  25 relationship. I don't know who owes who today,</p>

<p style="text-align: right;">Page 234</p> <p>1 but he'll go do the accounting. He'll show me. I    2 don't think he's going to lie to me. But he'll    3 have an absolutely record of anything he did for    4 me and paid for a hundred percent. We were very    5 careful with this. So you guys get it, we were    6 very careful with this.</p> <p>7 MS. IVORY: So should the money due from    8 Nick be reduced the one point one you have in your    9 remaining developer fee, or is this something    10 personal between you and Nick?</p> <p>11 THE WITNESS: Yeah, it's personal. I    12 can't take a fee out of there for doing my work.    13 Yeah. No. It was completely separate.</p> <p>14 BY MS. SPRINGER-CHARLES:</p> <p><b>Q Well, so I'm clear -- I think everybody    else is clear, but I'm not. So the funds that    were utilized for personal things, like to pay    your house staff, those were personal funds Nick    loaned you to be able to do that?</b></p> <p>1 A Yeah. If they were in here, if they    2 were in with Palm House, then it would be a due    3 to, due from with me internally with what they owe    4 me, right, if it was here.</p> <p>5 If it was on Nick's books, then it would    6 be a loan from Nicky -- from me to Nicky or Nicky</p>	<p style="text-align: right;">Page 236</p> <p>1 exit strategy on the hotel was to sell the units    2 as condo hotels. The people could use them up to    3 forty-five days. And then they would be in a    4 rental pool. So you'd sell those units. That    5 would be Condo A I talked about. And then you    6 would -- and that money was way more than enough    7 to pay off all of the whole hotel with Joe and    8 everybody. My projections were at one point two    9 hundred and thirty thousand dollars. And to sell    10 off the units.</p> <p>11 Then once you sold off the units, you    12 had the residual value of the hotel, which HB has    13 appraised at eighty-two million. And don't count    14 phase two, because I don't know what that would've    15 been. And then you had the club memberships. So    16 the total gross revenue when this was all done, I    17 thought this was the best EB-5 project they ever    18 did from what little I read about EB-5 projects    19 because you're in Palm Beach and you're getting    20 this economic benefit to do this deal, which    21 wasn't much of a benefit, but -- anyway, so the    22 total revenue on this thing was, you know, two    23 hundred, plus the residual value of eighty, plus    24 another hundred. So this was about a three    25 hundred and eighty million dollar deal with about</p>
<p style="text-align: right;">Page 235</p> <p>1 to me, a separate accounting. But it was one    2 hundred percent accounted for, anything. We were    3 very careful with the accounting.</p> <p><b>Q The three members of your house staff    that you talked about, they had nothing to do with    the hotel, right? They just worked for you at    your home?</b></p> <p>1 A No. Sometimes they would go in and    2 clean, and they would go help -- at one point, the    3 guy that worked for me that was an electrician    4 went to the Palm House and worked there to help. I    5 don't remember how much, but -- he did. I don't    6 know how long.</p> <p><b>Q You said that your wife as an integral    part of the hotel project. How so?</b></p> <p>1 A She was key to the whole club concept.    2 We were doing a club with memberships between a    3 hundred a hundred and fifty to two hundred    4 thousand dollars doing five hundred memberships    5 raising a hundred million dollars when this was    6 done as part of the sales.</p> <p>7 So the exit strategy on this hotel, like    8 there's only a thousand forty keys in Palm Beach.    9 It's the last approved hotel. You can never build    10 another one. It's a really tough town. So the</p>	<p style="text-align: right;">Page 237</p> <p>1 a hundred and some odd total money with a hundred    2 million dollar spent. It's a huge -- it's a    3 very --</p> <p>4 MR. REINHART: The question was about    5 Mia's role.</p> <p>6 THE WITNESS: Oh, so sorry. Mia's role    7 was going to help -- sorry. Mia's role socially,    8 you know, she'd been on a bunch of magazine    9 covers. She was good with design, and she had a    10 good send of her, you know, very fashion. And    11 this was all about seven -- like a stage when I    12 said when we set up the model and what it likes.    13 She would go in like with the designers. There's    14 so many thousands of decisions on every single    15 piece.</p> <p>16 So everything in the hotel, every table,    17 every chair, every carpet, every single thing is    18 custom designed and made, and there's a blueprint    19 spec to it. So there was a lot of work. So she    20 was good with that. And she was good with the    21 club concept. She would help us hugely with the    22 club concept to get members to join.</p> <p>23 BY MS. SPRINGER-CHARLES:</p> <p><b>Q Was she compensated for doing anything?</b></p> <p>24 A I don't know if I -- if she was on the</p>

Page 238	Page 240
<p>1 payroll or not. I don't remember. I mean, if  2 there's a check. I mean, could she have gotten  3 something? I don't know. A hundred and fifty  4 grand or something. I don't remember. She may  5 have. I just don't remember.</p> <p>6     <b>Q I'm showing you what's been marked as</b>  7     <b>Exhibit No. 13.</b></p> <p>8     <b>Can you tell me what that is, and if</b>  9     <b>you've seen it before today?</b></p> <p>10    A It looks like a trial balance with notes  11    that somebody made to the right-hand side.</p> <p>12    <b>Q Have you seen it before today?</b></p> <p>13    A I don't remember. I could've supplied  14    it, but I don't know.</p> <p>15    <b>Q Whose handwriting is on the front, is on</b>  16    <b>the page that's Bates labeled 4599?</b></p> <p>17    A My accountant. Is it the accountant's  18    note? I don't know. I don't know. It's not my  19    handwriting. I know my handwriting.</p> <p>20    <b>Q Whose handwriting is on the page Bates</b>  21    <b>stamped 4600?</b></p> <p>22    A That is my handwriting.</p> <p>23    <b>Q Okay.</b></p> <p>24    A Yeah, this looks like part of what --  25    yeah, there you go. This looks like part of what</p>	<p>1     <b>You talked --</b>  2     MR. REINHART: I don't know if you're  3     going to get to this, but I do notice on this one,  4     if you look at 66765 about ten lines up from the  5     bottom, it looks like it's one million, one  6     hundred thousand RVM.</p> <p>7     MS. SPRINGER-CHARLES: I see that.  8     BY MS. SPRINGER-CHARLES:</p> <p>9     <b>Q And that's -- to be clear, that's a</b>  10    <b>reference to the developer fee that you took?</b></p> <p>11    A Yeah. And if there's car insurance, it  12    would've been. They would've paid my car  13    insurance.</p> <p>14    <b>Q No. I was just asking.</b></p> <p>15    A No. Yeah. They would've just -- like  16    we gave Niklaus a car and paid his car insurance.</p> <p>17    <b>Q Right.</b></p> <p>18    <b>You talked before about the fact that</b>  19    <b>Joe Walsh had loaned you three hundred thousand</b>  20    <b>dollars and that you repaid it?</b></p> <p>21    A Yes.</p> <p>22    <b>Q What was that three hundred thousand</b>  23    <b>dollars for?</b></p> <p>24    A I think it was for -- I think it was for  25    the Point Breeze deal, to close it out with a</p>
<p style="text-align: center;">Page 239</p> <p>1 I went through the accountant with.  2     <b>Q On the front, I see a reference to</b>  3     <b>Clematis. I think that's what it says.</b></p> <p>4     A I'm sorry. Where?</p> <p>5     <b>Q It says, Company -- on 4599. It says,</b>  6     <b>Company acquisition twenty-two thousand dollars,</b>  7     <b>and the note next to it, I think says Clematis. I</b>  8     <b>could be wrong, but that's what it looks like to</b>  9     <b>me. Do you know what that refers to?</b></p> <p>10    A Money spent on the second EB-5 project  11    that we never did.</p> <p>12    <b>Q So why would funds from this EB-5</b>  13    <b>project be spent on a potential second EB-5</b>  14    <b>project?</b></p> <p>15    A Because if Joe told me to buy the land  16    next door, I did. If he told me to work on  17    clematis and start working on numbers, I did. He  18    was in my mind a limited partnership that he set  19    up to lend me money, sort of like a bank. So I  20    just pretty much did what he said to do.</p> <p>21    <b>Q Did AIG provide auto insurance for you?</b></p> <p>22    A They could've.</p> <p>23    <b>Q Who was your car insured with?</b></p> <p>24    A I don't know. At one point AIG did.</p> <p>25    <b>Q Okay.</b></p>	<p>1     trustee. It was a deal that when I blew up in '08  2     and lost everything, it was one of the projects.  3     So I believe it was for that. I'm not a hundred  4     percent sure.</p> <p>5     <b>Q To settle that?</b></p> <p>6     A To settle, yes.</p> <p>7     <b>Q Okay.</b></p> <p>8     <b>Did he tell you where the funds were</b>  9     <b>coming from, the three hundred thousand that he</b>  10    <b>loaned you?</b></p> <p>11    A No. I mean, I knew what he made. I  12    knew he made eighteen, twenty million on that  13    Royal Palm deal. I knew he made money in India.  14    So --</p> <p>15    <b>Q You thought it was personal money?</b></p> <p>16    A Yeah, a hundred percent.</p> <p>17    <b>Q And did you pay it back?</b></p> <p>18    A Yes. In fact, I think he did that  19    before he even bought Palm House. I'm pretty  20    sure.</p> <p>21    <b>Q Well, I don't want to waste time</b>  22    <b>introducing these records, but the records, they</b>  23    <b>reflect that it happened in or about September of</b>  24    <b>2012, which was before you purchased the Palm</b>  25    <b>House.</b></p>

<p style="text-align: right;">Page 242</p> <p>1 A Okay, good. Good. Okay.    2 Q <b>So you paid it back?</b>    3 A Yes.    4 Q <b>And where'd you get the money to pay it back?</b>    5 A I don't know. It could've been some --    6 I don't know. It could've been Bonaventure money.    7 It could've been anything. I don't know.    8 Q <b>We have evidence that in November -- in or about early November 2012 one of Joe Walsh's entities sent one point five million dollars to Craig Galle -- I think it's Galle, is that how I say it -- to Craig Galle's account. And I think that might've been associated with anticipating -- you know, planning to purchase the hotel.</b>    9 A What month and year? Sorry.    10 Q <b>November 2012, the year before you bought the hotel.</b>    11 A We had it under agreement twice. You know that, right?    12 Q <b>Right.</b>    13 A Right.    14 Q <b>And so they were -- about one point five million was sent to Craig Galle's account in November. At that point, where'd you think those</b></p>	<p style="text-align: right;">Page 244</p> <p>1 at first thought it wasn't even real, but I believe you, and I'm sure he sent it to me. I'm sure I never signed it.    2 Q <b>That was my next question. Did you and Mr. Walsh sign this agreement?</b>    3 A I don't believe so. The only agreement I signed is the one I showed you in the beginning.    4 Q <b>Okay.</b>    5 D<b>id you believe that this million five was to be taken out from the EB-5 money once it came in, the million five that went to Craig Galle?</b>    6 A Oh, I thought he was going to reimburse his money with a million five, yes.    7 Q <b>Okay.</b>    8 B<b>ut you believed it was a personal loan to you?</b>    9 A I didn't know this was a loan to -- I thought this went Craig Galle to try to buy the money.    10 Q <b>For Craig Galle to buy the hotel?</b>    11 A No. For Craig Galle's lawyer to show good faith so that we would try to negotiate and buy the hotel.    12 Q <b>Right, but the funds represented a</b></p>
<p style="text-align: right;">Page 243</p> <p>1 <b>funds were coming from?</b>    2 A Joe.    3 Q <b>Personal money?</b>    4 A Yes.    5 Q <b>I'm showing you what's been previously introduced as Exhibit No. 183. It's an email from --</b>    6 MR. REINHART: Did you say 183?    7 MS. SPRINGER-CHARLES: I mean, 83. I'm sorry.    8 BY MS. SPRINGER-CHARLES:    9 Q <b>-- an email from Mark Payne to you, Mr. Matthews.</b>    10 D<b>id you receive this email?</b>    11 A Let me just read it. Is it the same date as the other one with the million five, or no?    12 Q <b>This is -- I believe it's related to one point --</b>    13 A Yeah. Then it's probably --    14 MR. REINHART: Her question is: Do you remember receiving this?    15 BY MS. SPRINGER-CHARLES:    16 Q <b>Did you receive it?</b>    17 A No. I mean, I'm just reading it now. I</p>	<p style="text-align: right;">Page 245</p> <p>1 <b>loan -- well, a loan to you to be able to buy the hotel, correct?</b>    2 A I don't know if I really -- I never thought that, no.    3 Q <b>What did you think the one point five million was for?</b>    4 A I thought that he gave a million five towards the future purchase of the hotel to show Glenn Straub that he was real.    5 Q <b>Okay.</b>    6 MR. GALDENCIO: Are you saying that that one point five didn't actually get transferred to the previous owner of the hotel?    7 THE WITNESS: I think that we had it under agreement earlier, and then Glenn blew it up, and I believe the money got sent back, I think. Craig Galle didn't keep it. I don't think he kept it.    8 BY MS. SPRINGER-CHARLES:    9 Q <b>Well, when I look at the way the money flowed, I see one point five going to Craig Galle. I think another one point five later goes over to Craig Galle. And that three million dollars then gets transferred over to Les Evans's trust account. That's the way that I see it; am I</b></p>

<p style="text-align: right;">Page 246</p> <p>1      <b>correct?</b>  2      A I would say you're correct, yes. Yes.  3      <b>Q Okay.</b>  4      <b>So this first one point five million</b>  5      <b>dollars, what -- it was supposed to be used</b>  6      <b>towards the purchase of the hotel, correct?</b>  7      A Yeah. It was pretty simple. Glenn is a  8      very difficult character. If you didn't show him  9      you had money to do a deal, he wouldn't even pay  10     attention to you. So Craig Galle wanted to show  11     him that, you know, hey, here's a deposit, they're  12     real people. That's how he works.  13     <b>Q Okay.</b>  14     <b>And that one point five million would be</b>  15     <b>taken back out with EB-5 money?</b>  16     A That's what I assumed, yes.  17     <b>Q Okay.</b>  18     <b>The second one point five that I said</b>  19     <b>that I saw it goes to Craig Galle in or about</b>  20     <b>February, January or February 2013. I think it</b>  21     <b>may have been two different transactions. That</b>  22     <b>second one point five, was that also intended to</b>  23     <b>be for the purchase of the hotel?</b>  24     A Yes.  25     <b>Q Okay.</b></p>	<p style="text-align: right;">Page 248</p> <p>1      span -- I think the first one I have is 10/23/13,  2      and the last one in this exhibit is 11/10/14 as  3      Exhibit 160. And I believe you produced these  4      documents to us.  5      (SEC Exhibit No. 160 was  6      marked for identification)  7      BY MS. SPRINGER-CHARLES:  8      <b>Q I'm showing you what's been marked as</b>  9      <b>Exhibit No. 160.</b>  10     <b>Have you seen these documents before?</b>  11     A Yes.  12     <b>Q Where did you get them?</b>  13     A I imagine Les, because that's my writing  14     down below.  15     <b>Q You know, they span a period of time,</b>  16     <b>about a year's period of time. Did he send these?</b>  17     <b>Like how often did you get these?</b>  18     A No, I didn't -- I mean, I got these at  19     the end of the deal right, right, but I knew he  20     was doing this in his office. I didn't get these.  21     <b>Q Oh, you didn't get these? That's what</b>  22     <b>I'm trying to get at.</b>  23     A No. I went over to his office and asked  24     for everything when everything messed up, and to  25     me it was a complete mess. One had a brokerage</p>
<p style="text-align: right;">Page 247</p> <p>1      <b>Do you know where those funds came from</b>  2      <b>at that time?</b>  3      A I have no idea.  4      <b>Q Did you ask?</b>  5      A Well, Joe bragged to me he just made a  6      huge amount of money on the Royal Palm deal and  7      some deal that he was doing with Marcus in India  8      with processing things. So in my mind, Joe was a  9      very wealthy guy who just made twelve to eighteen  10     million dollars on one deal and another three to  11     six on another one. So I didn't ask where it was  12     from.  13     <b>Q But it was your understanding that first</b>  14     <b>three million dollars was personal money?</b>  15     A I thought it was his money. I didn't --  16     I thought you had to have your money, your own  17     money until you did the EB-5 deal and closed on  18     it. I didn't think you could fund it before. This  19     is just in my mind. I didn't know anything, but  20     that's what I thought.  21     MS. SPRINGER-CHARLES: I'd like to ask  22     the Court Reporter to mark a copy of this  23     composite exhibit of documents. There appears to  24     be -- they're titled, Leslie Robert Evans &amp;  25     Associates, PA Account Quick Reports. They</p>	<p style="text-align: right;">Page 249</p> <p>1      account. One had this account. It was -- I tried  2      to make as much sense of it as I could. I went  3      through and tried to put monies that went to Joe  4      and money that he lent, and I tried to do like an  5      accounting of what was real.  6      <b>Q So you didn't contemporaneously get</b>  7      <b>these documents?</b>  8      A No.  9      <b>Q Okay.</b>  10     <b>With the dates on them, no?</b>  11     A No. He could've -- I could've been in  12     his office complaining. He could've given me one.  13     I don't remember. But it wasn't like I got these  14     documents every month or anything, no.  15     <b>Q So when I see notes on these documents</b>  16     <b>or highlighting or anything like that, these</b>  17     <b>happened after everything blew up?</b>  18     A I don't -- well, let's just look at one  19     at a time.  20     <b>Q Yeah. Sure.</b>  21     A The first one --  22     MR. REINHART: Can I consult with him  23     for a second.  24     MS. SPRINGER-CHARLES: Sure. Let's go  25     off the record.</p>

Page 250	Page 252
<p>1 (A brief recess was taken.)  2 MS. SPRINGER-CHARLES: Back on the  3 record.  4 BY MS. SPRINGER-CHARLES:  5 <b>Q Did you have any substantive discussions</b>  6 <b>with any members of the staff while we were off</b>  7 <b>the record?</b>  8 A No.  9 <b>Q Okay.</b>  10 A Jade may have got these from Les, and I  11 looked at them.  12 <b>Q At the time -- so let's say the first</b>  13 <b>one's dated 10/23/13.</b>  14 A I don't know if it was at the time. I  15 gave these --  16 THE WITNESS: Oh, thank you.  17 MR. REINHART: You're welcome.  18 THE WITNESS: Sorry. Okay. I'm sorry  19 when did we buy the hotel?  20 MR. REINHART: 31.  21 THE WITNESS: 8/31/13 or '12?  22 This, I think, was done around the  23 closing, because I was trying to figure out the  24 math on what I needed to have for the closing.  25 BY MS. SPRINGER-CHARLES:</p>	<p>1 on 11/29? We had a bridge loan for Revere that  2 Ryan signed that we had to take out and that was,  3 approximately, three million dollars.  4 <b>Q Okay.</b>  5 Let's go to three pages in -- yes, three  6 pages in, Bates labeled 6103 at the bottom.  7 A Yes.  8 <b>Q Who's handwriting is this?</b>  9 A The one on the left -- the numbers is --  10 the numbers would be me. The writing would be  11 somebody else.  12 <b>Q You don't know who the somebody else is?</b>  13 A I don't. I don't know.  14 <b>Q Because I think that says, Joe gave</b>  15 <b>Craig Galle, and it says, nine hundred K, 8/26/13,</b>  16 <b>three hundred K Craig kept for fee.</b>  17 A That would be accurate, as I remember,  18 yes.  19 <b>Q That was accurate?</b>  20 A Yes.  21 <b>Q Okay.</b>  22 Let's keep going. There's one just to  23 see if this refreshes your memory as to when saw  24 these if you saw these. There's one 2/3/14, and  25 there's some handwriting on the left, thirteen</p>
<p style="text-align: center;">Page 251</p> <p>1 <b>Q You said this was your handwriting at</b>  2 <b>the bottom?</b>  3 A Yeah, because he -- well, because I now  4 recognize I'm trying to figure out what is short  5 at the closing, what we have for money. See the  6 5797?  7 <b>Q Uh-huh.</b>  8 A I think that's going to be what maybe he  9 had in his account at the closing.  10 <b>Q Okay.</b>  11 <b>Where it says avail for closing, there's</b>  12 <b>an asterisk or star, what date is that on the</b>  13 <b>right-hand side?</b>  14 A So that's not my writing just so you  15 know.  16 <b>Q That's not your writing. Okay.</b>  17 A No. See, the numbers is me.  18 <b>Q Okay.</b>  19 A That's not me.  20 <b>Q Okay.</b>  21 A But it says 11/29/13. 11/29/13,  22 November 29th -- but we'd already bought the  23 hotel, right?  24 <b>Q Yes.</b>  25 A So how could it be available for closing</p>	<p style="text-align: center;">Page 253</p> <p>1 five hundred on left, and there's a number at the  2 bottom, nine seven one --  3 MR. REINHART: You mean on the right?  4 MS. SPRINGER-CHARLES: On the right. I'm  5 sorry.  6 BY MS. SPRINGER-CHARLES:  7 Q -- there's a number at the bottom, nine  8 seven one three eight six. Do you see that, Bates  9 labeled 7552?  10 A Where it says thirteen five?  11 Q Yes. Is that your handwriting?  12 A That's my handwriting.  13 Q And on the bottom, is that your  14 handwriting?  15 A Yes.  16 Q Again, does this at all help you to  17 remember if you got these contemporaneously along  18 the way?  19 A I know with the closing one, I focused  20 on that one to get the money to make sure we can  21 pay back Revere and get the closing done. So I  22 know I looked at it at the closing, because I was  23 trying to figure out how much money we had to  24 close. So I know then that's the only one I  25 recollect looking at, because like I said, we were</p>

Page 254	Page 256
<p>1 short.</p> <p>2 Q Let's keep going. On 3/28/14, there's</p> <p>3 one that has handwriting on the left side of the</p> <p>4 page. Is that your handwriting?</p> <p>5 A No.</p> <p>6 Q Okay.</p> <p>7 On the next page on the bottom, Bates</p> <p>8 labeled 7550, towards the center top of the page,</p> <p>9 is that your handwriting?</p> <p>10 A No.</p> <p>11 Q Okay.</p> <p>12 So you don't recall generally getting</p> <p>13 these, let's say, every month?</p> <p>14 A Well, I just looked at this handwriting,</p> <p>15 and I recognize this handwriting now on this page.</p> <p>16 Q Whose handwriting?</p> <p>17 A That's Les's.</p> <p>18 MR. REINHART: That's page 7550.</p> <p>19 MS. SPRINGER-CHARLES: Okay.</p> <p>20 THE WITNESS: That's Les's handwriting.</p> <p>21 BY MS. SPRINGER-CHARLES:</p> <p>22 Q Okay.</p> <p>23 How did you end up to have this in your</p> <p>24 possession? Do you think he gave it to you after</p> <p>25 everything blew up, for a lack of better phrase,</p>	<p>1 should be this handy. We may refer to it later.</p> <p>2 A Could we just stop so I could go to the</p> <p>3 restroom real quick?</p> <p>4 Q Sure.</p> <p>5 MS. SPRINGER-CHARLES: Let's go off the</p> <p>6 record.</p> <p>7 (A brief recess was taken.)</p> <p>8 MS. SPRINGER-CHARLES: We're back on the</p> <p>9 record.</p> <p>10 BY MS. SPRINGER-CHARLES:</p> <p>11 Q Mr. Matthews, did you have any</p> <p>12 substantive discussions with any members of the</p> <p>13 staff while we were off the record?</p> <p>14 A No.</p> <p>15 Q Okay.</p> <p>16 I'd like to show you what's been</p> <p>17 previously marked as Exhibit No. 84. Please take</p> <p>18 a look at that email and tell me -- just explain</p> <p>19 to me why you sent this email to Mr. Evans?</p> <p>20 A I just sent it to him so it was</p> <p>21 clarified that it was Joe's money, and that he's</p> <p>22 in charge of his money.</p> <p>23 Q How much of the money did you believe</p> <p>24 was Joe's money and how much of it did you believe</p> <p>25 was for the project?</p>
<p>1 but after, you know, Joe stopped funding and --</p> <p>2 A No. No. I think I looked at one of</p> <p>3 these at the closing trying to figure out how much</p> <p>4 we were short and how we would we get the number.</p> <p>5 MR. REINHART: This is dated March of</p> <p>6 2014. You owned the hotel then. You've got the</p> <p>7 hotel for six months.</p> <p>8 THE WITNESS: Sorry. That's later then.</p> <p>9 BY MS. SPRINGER-CHARLES:</p> <p>10 Q But you don't recall getting these on</p> <p>11 either a weekly basis or a monthly basis?</p> <p>12 A No.</p> <p>13 Q Okay.</p> <p>14 Did you ever see one of these and</p> <p>15 provide any comments or recommendations to Les</p> <p>16 about how he was entering the information?</p> <p>17 A No. The only one that I remember is, if</p> <p>18 you look at the very first sheet, that's the one I</p> <p>19 remember trying to figure out how much money Joe</p> <p>20 took out. So I think in round numbers, let's say,</p> <p>21 it was about a million fifty that he took out, and</p> <p>22 I wanted to make sure I got credit for it. That's</p> <p>23 why I remember it.</p> <p>24 Q Okay.</p> <p>25 Let's just put this to the side. You</p>	<p>1 A I really had no way of knowing. I</p> <p>2 thought anything that he lent me was his personal</p> <p>3 money.</p> <p>4 Q Well, we talked before about the three</p> <p>5 million dollars that had come from Craig Galle.</p> <p>6 And I'm going to represent to you that I think</p> <p>7 that was the only money that was in the account at</p> <p>8 that -- that had come into the account at that</p> <p>9 time. And if you want to refer to Exhibit 160</p> <p>10 just to facilitate this discussion, it looks like</p> <p>11 that was the only money that had come in at that</p> <p>12 point. Do you see that?</p> <p>13 MR. REINHART: And also look at the</p> <p>14 dates to see if that refreshes your memory.</p> <p>15 THE WITNESS: This says 4/15.</p> <p>16 BY MS. SPRINGER-CHARLES:</p> <p>17 Q 4/15/2013.</p> <p>18 A When did we close. I thought we closed</p> <p>19 August. Oh, sorry. We closed '13 or '12?</p> <p>20 MR. REINHART: '13.</p> <p>21 THE WITNESS: Okay. That makes sense.</p> <p>22 Yes.</p> <p>23 BY MS. SPRINGER-CHARLES:</p> <p>24 Q And then this email you sent was in May,</p> <p>25 I believe?</p>

<p style="text-align: right;">Page 258</p> <p>1 A Yeah. May 10th.    2 Q May 10th.    3 And so in the email you state that --    4 A Before we closed. Okay. That makes    5 sense. Yes.    6 Q Just to preface this, I didn't print all    7 of the emails, but what I saw was Joe directing    8 the transfer of certain funds out of the account    9 and Les asked you to please -- Les said, can you    10 please send me an email authorizing the attached    11 wire with the wire that Joe Walsh was directing to    12 be transferred out of the account.    13 A Oh, okay.    14 Q And in response you said, "Dear Les,    15 this email should serve to clarify any confusion    16 on the monies that you are holding, the controlled    17 financials of Walsh. I believe some of it is    18 personal and some of it is for the purchase of the    19 Palm House Hotel, which he tells me is going to    20 happen in June. I don't have any control of this    21 money. He has been kind enough to lend me money    22 to keep me afloat until I get back on my feet.    23 Sincerely, Bob Matthews."    24 And so my question is: How much of the    25 three million did you believe was personal, and</p>	<p style="text-align: right;">Page 260</p> <p>1 about it. I just tell you now that I thought back    2 then that this was personal business money, and    3 that he wasn't supposed to use EB-5 money until    4 you close on the asset. That's just my naive    5 thing.    6 Q No. I understand --    7 A But I don't know how much was which of    8 which. I don't -- I didn't have a thing in my    9 head, oh, I think a million seven fifty was this    10 and a million two fifty was -- I didn't have that.    11 I didn't know.    12 Q Okay.    13 Do you understand I'm asking a slightly    14 different question?    15 A Okay. Sorry. So go slow again, so I    16 can get it.    17 Q I understand that you believed all of    18 three million was personal money. I understand    19 that.    20 A And his business money.    21 Q And his business money?    22 A Yes.    23 Q Okay.    24 Well, how much of it did you think --    25 and the business money would be for the purchase</p>
<p style="text-align: right;">Page 259</p> <p>1 how much of it did you believe was towards the    2 purchase of the Palm House?    3 A So before the Palm House closed, in my    4 mind, I thought it was all personal. I didn't    5 know you could use EB-5 money before you had the    6 assets. So I don't know if you can or can't    7 today. But in my mind, that's what I thought.    8 This was logical sense to me.    9 Q But here you're talking about the money    10 that Les was holding as of this date, and you    11 said -- you're saying that you believe some of it    12 was personal and some of it was towards the    13 purchase of the Palm House.    14 A Right.    15 Q But you thought all of it was personal    16 money. How much of it do you think was to be used    17 towards the purchase of the Palm House, I guess I    18 should ask?    19 A Well, I thought some of it was personal,    20 some of it was his company money. I don't think I    21 say it's EB-5 money.    22 Q Well, how much of the money did you    23 think was supposed -- was set aside or should've    24 stayed to be used for the purchase of the hotel?    25 A I don't know that I ever really thought</p>	<p style="text-align: right;">Page 261</p> <p>1 of the hotel, correct?    2 A Well, his -- in other words, I thought    3 part of the money was his personal money. I    4 thought part of the money was the Royal Palm money    5 that he made from his business to go towards the    6 hotel, and he would get reimbursed when he did the    7 EB-5, quote, unquote, deal.    8 Q Okay. So how much of that did you think    9 was business money that would be reimbursed?    10 A I didn't know. I don't know how I would    11 know that. I don't have any idea. I couldn't    12 even guess.    13 Q Okay. That's fine.    14 I'm showing you what's been previously    15 marked as Exhibit No. 85. It's an email from Mark    16 Payne to yourself, dated 5/15/2013, which is a few    17 days after that initial email you sent to Les. And    18 here Mark asks you, "Bob, thanks for this. I'm    19 following up on this right now, M. By the way,    20 how are we going to spend the two M in your    21 account. I am so excited."    22 What did he mean by that?    23 A It's a joke.    24 Q I figured, but --    25 A I don't know. I mean, it was a joke. He</p>

Page 262	Page 264
<p>1       was being facetious, like, oh, you got two million  2       dollar in the account, how are we going to spend  3       it? It was him being a smart ass.</p> <p>4       <b>Q</b> Did you respond to him?</p> <p>5       A I don't believe I did. I don't think I  6       would've. I mean, that just seems like dumb.</p> <p>7       <b>Q</b> Okay.</p> <p>8       The next time after we see -- if we look  9       at Exhibit 160. The next time I see any funds  10      come in, it looks like it's in July of 2015, after  11      the initial three million. I see one point five  12      million come in in July of 2015. Do you see that?</p> <p>13      A I see it.</p> <p>14      <b>Q</b> Do you know what those funds  15      represented? Were those now EB-5 funds, or were  16      those still personal funds coming into your  17      account based on your belief?</p> <p>18      A I don't know which were which. I don't  19      know. Now I think it was EB-5 money. Then I  20      didn't think it was EB-5 money.</p> <p>21      I mean, just to be clear, I know what I  22      was thinking then, because you see these amounts  23      here, he is lending me money. You see the  24      Matthews Commercial and Mirabia. If you add all  25      that up, I believe it's about five hundred and</p>	<p>1       So I was kind of at that level, just so  2       you get, and then I would, you know, try to put on  3       all my companies before I would interview the  4       president, you know, the CEO, and controller. And  5       then they would go do their thing, and I would  6       just trust them. And it was very common for me to  7       do it like that.</p> <p>8       <b>Q</b> At least, though, with the three hundred  9       thousand dollar loan, I saw evidence of that, I  10      saw emails where you were discussing, you know,  11      getting the three hundred thousand --</p> <p>12      A This is in the very beginning of our  13      relationship.</p> <p>14      <b>Q</b> Right. So I saw that, but for this, I  15      didn't see anything at all.</p> <p>16      A Yeah, because we had -- the relationship  17      started more as a stranger. So in the beginning  18      of the relationship as strangers, you're more  19      emailing and doing that. Then as you become  20      friends, and he's friends with my family, and --  21      you know, it was like, hey, Joe, can you help me  22      out, can you get me a hundred and fifty thousand  23      dollars, and Joe would help me out. You know, Joe  24      wanted to keep me alive. You've got to remember,  25      I was worth like minus sixty-five million at one</p>
Page 263	Page 265
<p>1       fifty thousand dollars of money that he's lending  2       me. So I one hundred percent thought it was  3       personal money, that's he's keeping me on my feet,  4       keeping me going.</p> <p>5       <b>Q</b> Let's talk about that. Did you have any  6       documentation for this loan --</p> <p>7       A It would be just like the three hundred  8       thousand dollar loan, and not unlike a lot of  9       deals where I had a friend when I had money needed  10      two hundred and fifty grand, I lent him the money.  11      I just shook his hand and gave it to him. Another  12      one I gave two fifty. I never got any notes. PS,  13      I lost both two fifties.</p> <p>14      But the point is I was very -- I was  15      very flying at thirty thousand feet, and then I  16      was very anal with the actual details of the job,  17      like every single blueprint, everything right, but  18      I was not a very good, you know, day-to-day --  19      like any email, I would go to Jade can you send an  20      email to Tom Swanson, tell him I'm going to be  21      late to the -- like I didn't even do a lot with  22      the TWTRYOP stuff. Like I wasn't really good at  23      that. So when she asked me about QuickBook, I'm  24      like, are you kidding? I wouldn't even know how  25      to turn the computer on.</p>	<p>1       point. Joe really liked me and wanted me to be  2       that guy. So, you know, that's just how we did  3       it. I'd like to tell you I had a note for it, but  4       I don't.</p> <p>5       <b>Q</b> Since we're talking about it, I'm going  6       to show you what's been marked as Exhibit 17. It's  7       an email from Jade to Tony Reitz blind copying  8       you. And the subject is, Funds Joe used from Les  9       Evans's trust account.</p> <p>10      Did Joe use about one point three four  11      million dollars from Les Evans's trust account for  12      his own personal benefit?</p> <p>13      A Yes.</p> <p>14      <b>Q</b> Did you believe those to be his personal  15      funds?</p> <p>16      A Then or now?</p> <p>17      <b>Q</b> Then.</p> <p>18      A Yeah, I thought this was his money.</p> <p>19      <b>Q</b> Now what do you believe?</p> <p>20      A I believe that Joe didn't put any money  21      in the deal and just used EB-5 money and used it  22      for various lifestyle issues and hurt a lot of  23      people. That's what I believe now.</p> <p>24      <b>Q</b> Why do you believe that now?</p> <p>25      A Because I asked Tony Reitz, and Tony</p>

<p style="text-align: center;">Page 266</p> <p>1 Reitz had an accounting of all the money, and he  2 said that he had a card tied to it and that he  3 would do it for Michael Jackson for a million  4 three, trailers, cars, and that Joe didn't put any  5 money that he had made. His money has in Hong  6 Kong.</p> <p>7 <b>Q Does he know how much money he had in</b>  8 <b>Hong Kong?</b></p> <p>9 MR. REINHART: Can you clarify who he  10 is?</p> <p>11 MS. SPRINGER-CHARLES: Tony Reitz.</p> <p>12 THE WITNESS: Oh, I don't know what Tony  13 knows. You'd have to ask him.</p> <p>14 BY MS. SPRINGER-CHARLES:</p> <p>15 <b>Q Well, I guess because you talked about.</b>  16 <b>I'm wondering if he told you.</b></p> <p>17 A No. I knew what he did on -- before he  18 did this deal, he did a scam deal. I knew about  19 that deal very clearly, and I know what he paid.  20 He was buying a project for like --</p> <p>21 MR. REINHART: Again, can you clarify  22 which he you're talking about.</p> <p>23 THE WITNESS: Joe was buying four empty  24 buildings and put together a fake lease and put up  25 as if you're going to lease -- you're a big</p>	<p style="text-align: center;">Page 268</p> <p>1           <b>Q All of these funds on the page that's</b>  2 <b>Bates labeled 6096, were these all for Joe Walsh's</b>  3 <b>benefit? Were all of these transfers -- because I</b>  4 <b>think they all came out of Les Evans's trust</b>  5 <b>account, were they all for Joe Walsh's benefit?</b></p> <p>6           A Yeah. I believe that you would find an  7 email that would be from Joe Walsh to Les, and he  8 would say, Les, send me -- was his attorney Weiss  9 Handler Cornwell, send them two hundred and fifty  10 thousand dollars, whatever, and so Les would do  11 it.</p> <p>12           <b>Q Were any of the expenses that were paid</b>  13 <b>on that page, was any of those related to the</b>  14 <b>hotel?</b></p> <p>15           A I'm hazarding a guess that I don't think  16 so, but I never saw the backup on any of these if  17 there was a bill for the hotel from somebody -- I  18 don't know what it was for. I don't even know who  19 they are. I know Weiss Handler. I don't know who  20 Ink Jet -- I mean, I don't know who they are, so I  21 don't really know what they were for.</p> <p>22           <b>Q Let's look at Exhibit 18. This is an</b>  23 <b>one-page document. It says -- there are two</b>  24 <b>different charts, boxes here, Joe Walsh personal</b>  25 <b>loan to Bob Matthews. Do you see the first one?</b></p>
<p style="text-align: center;">Page 267</p> <p>1 insurance company and you're going to lease it  2 back. And I know Tony gave the insurance company  3 a check for two million, and then the insurance  4 company gave a check back to Joe for two million  5 for prepaid rent to make it look like it was a  6 real company. And I think he marked it up to  7 twenty-eight million dollars, the Royal Palm deal.  8 He originally was buying it from Pugliese for  9 around eight, but he did it on an oral handshake  10 without even in writing, and I believe that  11 Pugliese jacked the price to a higher number,  12 maybe fourteen or fifteen or sixteen, but I know  13 he made twelve to fourteen million dollars on that  14 deal.</p> <p>15 BY MS. SPRINGER-CHARLES:</p> <p>16 <b>Q How do you know that?</b></p> <p>17 A Through discussions with Mark Payne and  18 through discussions with Tony Reitz.</p> <p>19 <b>Q So you learned all of this after things</b>  20 <b>went south between you and Joe?</b></p> <p>21 A Oh, yes. I did some due diligence at  22 the end.</p> <p>23 <b>Q You didn't know this before?</b></p> <p>24 A No. I wouldn't have done the deal if I  25 knew this.</p>	<p style="text-align: center;">Page 269</p> <p>1           A Yes, I do.</p> <p>2           <b>Q As of 7/26/13. And there's some</b>  3 <b>transactions that, I believe, they were processed</b>  4 <b>out of Les Evans's trust account to Matthews</b>  5 <b>Commercial Properties and Mirabia. Do you see</b>  6 <b>that?</b></p> <p>7           A Yes.</p> <p>8           <b>Q Were any of those transactions related</b>  9 <b>to the hotel?</b></p> <p>10           A No.</p> <p>11           <b>Q And you believe the money that you spent</b>  12 <b>was, again, personal money from Joe Walsh?</b></p> <p>13           A One hundred percent. These were all  14 loans.</p> <p>15           <b>Q Okay.</b></p> <p>16           Now, let's look at the bottom</p> <p>17 spreadsheet, Joe Walsh personal loan to Bob</p> <p>18 Matthews. I think all of these expenses were paid</p> <p>19 out of Les Evans's trust account.</p> <p>20           A They were.</p> <p>21           <b>Q Again, did you believe they were</b>  22 <b>personal funds from Bob Matthews -- I mean, from</b>  23 <b>Joe Walsh? I apologize.</b></p> <p>24           A Yes. And, in fact, just to be clear, on  25 the house loan as I was in foreclosure losing the</p>

Page 270	Page 272
<p>1 house, I went to Joe, and Joe talked to Mark Payne  2 about it, and I know Mark took notes on it. And I  3 know he talked to Nick Laudano and asked both two  4 those people, you know, what do they think? I  5 know that Mark told me that he said he should lend  6 me the money. I borrowed the three hundred. I'll  7 pay him back. And Joe used the house as his --  8 like almost like it was like a prop. He had a  9 word for it, but it was like -- he loved the  10 house. He stayed there a lot, you know. And  11 so -- I actually have an email from Joe that asked  12 me, Bob, what is the payoff on the house? And  13 there's a thank you note that I sent him for  14 lending me. So I one hundred percent thought this  15 was a personal loan, one hundred percent.</p> <p>16 <b>Q At this point, you'd own the hotel,</b>  17 <b>correct? All of these expenses look like they</b>  18 <b>occurred after you owned the hotel, because they</b>  19 <b>start in December of 2013 and go through April of</b>  20 <b>2014. Do you see that?</b></p> <p>21 A The second part, not the top.</p> <p>22 Q <b>The second part. I'm sorry.</b></p> <p>23 A Yes. Yes.</p> <p>24 Q <b>Okay.</b></p> <p>25 <b>At that point, did you believe the funds</b></p>	<p>1 India -- again, I'm making this up. They hired  2 people in India for four hundred dollars, and I  3 think they charged like forty thousand dollars or  4 something.</p> <p>5 So I knew he had those two sources of  6 money. But the one that I knew right down the  7 street was Royal Palm, and I knew what he had sold  8 that for. And I knew he did the one with -- well,  9 he was doing the one Jack Nicklaus's son. It  10 was -- in fact, Deutsche Bank asked, where is this  11 money come from, and we had to supply Joe Walsh's  12 name and address. My lawyer asked me for it. I  13 had to go get it. Not this lawyer, the other one.  14 And we had to get it. So there's not even a one  15 percent chance I thought it was EB-5 money.</p> <p>16 BY MS. SPRINGER-CHARLES:</p> <p>17 Q I guess please if you can follow me.</p> <p>18 A Sure.</p> <p>19 Q We previously looked at that -- it's a  20 similar looking chart where you were figuring out  21 how much money you had got from Joe Walsh, how  22 much was supposed to be Joe's fees, and how much  23 was left to be due to you. When I looked at the  24 numbers, it didn't appear that you backed out six  25 point six million dollar from how much you</p>
<p style="text-align: center;">Page 271</p> <p>1 <b>that you were receiving from Joe Walsh were</b>  2 <b>investor EB-5 funds?</b></p> <p>3 A No.</p> <p>4 Q <b>Why not?</b></p> <p>5 A Because I didn't think Joe was going to  6 lend me EB-5 money when he told me he had an  7 account in Hong Kong, he was lending me the money  8 personally. I never would've borrowed the  9 money if I thought it was EB-5 money.</p> <p>10 Q <b>So you still thought that he had some of</b>  11 <b>that fourteen million dollars to be able to lend</b>  12 <b>you?</b></p> <p>13 A Plus what he made over in India  14 processing these things for some guy out in  15 Chicago that blew up. He made a bunch of money on  16 those. Yes.</p> <p>17 MR. BUSTO: When you say processing,  18 processing what?</p> <p>19 THE WITNESS: He would get paid a fee --  20 I know Mark set up a -- I mean, I don't know  21 personally, but I talked to Mark, and he said he  22 helped him set up a company in India where, I  23 think, maybe they raised five sixty on each thing,  24 and then sixty went into like process the EB-5 --  25 the applications. I think they hired people in</p>	<p style="text-align: center;">Page 273</p> <p>1 <b>received in total from Joe Walsh. Do you</b>  2 <b>understand what I'm saying?</b></p> <p>3 MR. REINHART: Can you point to us a  4 document?</p> <p>5 MS. SPRINGER-CHARLES: Yes. Let's look  6 at Exhibit -- see, I'm talking about the second  7 side of the document where Jade says, Tony said  8 this is how much they sent over to us, those  9 documents.</p> <p>10 THE WITNESS: Right.</p> <p>11 BY MS. SPRINGER-CHARLES:</p> <p>12 Q <b>Let me try to find it. I'm sorry.</b>  13 <b>Exhibit 5.</b></p> <p>14 MR. REINHART: What's that look like?</p> <p>15 THE WITNESS: I got it.</p> <p>16 MR. REINHART: You got it?</p> <p>17 THE WITNESS: When's this dated just so  18 I know what we're talking about?</p> <p>19 BY MS. SPRINGER-CHARLES:</p> <p>20 Q <b>This is dated -- well, we can look at a</b>  21 <b>later dated one. It's dated let's say 10 -- oh,</b>  22 <b>no, that's not it. Let's look at the chart on the</b>  23 <b>back. I think that would help.</b></p> <p>24 A 10/2?</p> <p>25 Q <b>Yes. When looking at this when you're</b></p>

<p style="text-align: right;">Page 274</p> <p>1       <b>doing the calculations, I don't necessarily see</b>    2       <b>you back out --</b>    3       A    She didn't.    4       Q    <b>Do you understand?</b>    5       MR. REINHART: Well, finish your    6       sentence, back out what?    7       MS. SPRINGER-CHARLES: Back out six    8       point six million dollars as that money was your    9       money and not EB-5 money. Because you were trying    10      to figure out how much more money was due to you    11      from Palm House to construct the hotel, but I    12      never see that you guys backed out the six point    13      six million dollars that was supposed to be a    14      loan. And I'm wondering if you thought it was    15      personal money, why was that not backed out of    16      this calculation? Because it would decrease how    17      much was left -- or increase how much left was to    18      be due to you.    19       A    I don't know if I'm following you or if    20      you're not following me. So I thought I borrowed    21      money from Joe. I was planning on paying it back.    22      So I thought that I still had this money    23      available. Do you see what I'm saying?    24       Q    Right. But let's look at this chart. It    25      says, "Deposits Les Evans and Tony Reitz towards</p>	<p style="text-align: right;">Page 276</p> <p>1       THE WITNESS: I would owe that money    2       back. That was for Joe.    3       MR. REINHART: Not to the project?    4       THE WITNESS: Well, I would owe it to    5       Joe and Joe would have to give it to the project.    6       Do you see what I'm saying?    7       MR. REINHART: Or whatever Joe would do    8       with it.    9       THE WITNESS: Or whatever Joe would do    10      with it.    11      MS. SPRINGER-CHARLES: Well, I don't    12      want you to testify.    13      MR. REINHART: I'm sorry.    14      BY MS. SPRINGER-CHARLES:    15       <b>Q    Would you owe it to Joe or to the</b>    16       <b>project?</b>    17       A    I would owe it to Joe. But the fact    18      that she didn't put it in here doesn't surprise    19      me, because she ran separate ones for us. She    20      never put it into this thing.    21       Q    Okay.    22      MS. SPRINGER-CHARLES: I'd like to ask    23      the Court Reporter to mark a copy of this    24      composite exhibit. It's emails between, I    25      believe, you and Joe that relate to your property,</p>
<p style="text-align: right;">Page 275</p> <p>1       <b>the Palm House." If I add it all up, to me, it</b>    2       <b>seems like -- towards the Palm House, it equals</b>    3       <b>exactly what came into these accounts, not --</b>    4       A    It has to. I have to pay it back. I    5       have to have the money to finish the hotel. I    6       can't keep this money.    7       <b>Q    So did you think it was personal money</b>    8       <b>or EB-5 money? That's my question.</b>    9       A    I thought it was personal money, but I    10      thought I had to pay it back. I thought this    11      money was going to be paid back.    12       <b>Q    So you thought some personal money came</b>    13       <b>into towards the Palm House?</b>    14       A    I thought --    15       <b>Q    In addition to the three million</b>    16       <b>dollars, you thought about six -- at least six</b>    17       <b>point six million was personal money?</b>    18       A    Oh, yeah, I thought for sure that this    19      money, before it closed, was personal money. We    20      hadn't even closed yet. And I thought that this    21      money was personal money.    22       <b>Q    Okay.</b>    23       A    But I owed the money back to the    24      project. It wouldn't change the numbers.    25       MR. REINHART: Not this money?</p>	<p style="text-align: right;">Page 277</p> <p>1       <b>101 Casa Bendita --</b>    2       THE WITNESS: Can I just clarify one    3       thing so we're clear?    4       BY MS. SPRINGER-CHARLES:    5       <b>Q    Sure.</b>    6       A    The money when I just said go back to    7       the project, I had met with the guys doing the    8       federal suit and told them it was what I told my    9       lawyers --    10      MR. REINHART: You're talking about    11      things that occurred in the last three weeks,    12      right?    13      THE WITNESS: Yeah. As part of that, I    14      said I would put the money back in. So in my mind    15      now, it would go back to the project. Then it was    16      a loan to go back to Joe. And she kept it    17      separate, so it was clear what we had. There was    18      no question.    19      BY MS. SPRINGER-CHARLES:    20       <b>Q    Although she kept it separate, when I</b>    21       <b>add up in the figures, it was not separate in that</b>    22       <b>Exhibit 5. That was my point. It's not like she</b>    23       <b>included the total that you got from Joe whether</b>    24       <b>it'd be classified as personal in your mind or</b>    25       <b>not, it's all here. So the three million that you</b></p>

Page 278	Page 280
<p>1     <b>thought was personal, it's there. Do you see</b>  2     <b>that?</b></p> <p>3     A She didn't do the bookkeeping with the  4     loans, except for like this. She didn't do it in  5     that deal. That's the only difference. No one  6     was trying to hide it. That's why we did these,  7     so it was really clear. We were trying to be as  8     transparent as could.</p> <p>9     <b>Q My question for you is, whether you</b>  10    <b>thought it was EB-5 funds or whether you thought</b>  11    <b>is was personal funds with Joe?</b></p> <p>12    A Let me be one thousand percent clear, I  13    absolutely thought he was lending me personal  14    money to get me on my feet. And I sent a thank  15    you letter that said, you saved my family, thank  16    you so much, I prayed for you. It was a huge deal  17    to me. And I absolutely thought it was personal.</p> <p>18    We were going to do a note. We were  19    going to follow up with a note. He just never  20    sent it to me. He told me he'd follow up with a  21    personal note. Because I remember saying, what,  22    are you going to charge me for interest, and he  23    said, don't worry about it. So it's not a  24    question -- I mean, it's a question, but it's a  25    hundred percent that answer.</p>	<p>1     <b>sending him documentation and then thanking him</b>  2     <b>for the loan, or a loan?</b></p> <p>3     A So on this exhibit number --</p> <p>4     <b>Q Bates labeled SEC-PALMHOUSE-E-0041499?</b></p> <p>5     A Right. This is Joe Walsh saying to me,  6     because we spoke orally, "Bob, you were going to  7     get me the info on the payoff of the house." So I  8     hadn't got it to him, and he was mad at me, like  9     get me the payoff. So then I believe I sent him a  10    payout.</p> <p>11    <b>Q Is that the information from the first</b>  12    <b>page? Let's look at the first page.</b></p> <p>13    A Yes. I believe it was more because they  14    missed some legal fees or something, but it ended  15    up being more, but that was the original thing, I  16    believe, I sent him.</p> <p>17    <b>Q And then it looks like you sent him --</b>  18    <b>the next day, you sent him some other email with</b>  19    <b>additional information related to the payoff.</b></p> <p>20    A Is that this page?</p> <p>21    <b>Q The next email, 12/24/2013 at 9:12 a.m.</b></p> <p>22    A Yeah. This is I got from my attorney  23    what the payout -- what it would be, how much I  24    needed.</p> <p>25    <b>Q And you forwarded that to Bob, correct?</b></p>
<p style="text-align: center;">Page 279</p> <p>1     <b>Q Why did you agree that you -- why did</b>  2     <b>you say that you'd put the funds back to the</b>  3     <b>project?</b></p> <p>4     A Because I was thinking about what just  5     happened in the last couple of weeks where I said  6     to one of the lawyers that if that, indeed, is  7     EB-5 money, which I think it is today, then I will  8     absolutely not pay it back to the Joe. I will pay  9     it to the project.</p> <p>10    <b>Q Okay.</b></p> <p>11    <b>MS. SPRINGER-CHARLES:</b> Let me ask the  12    Court Reporter to mark a copy of this composite  13    exhibit -- I don't think I did it yet -- as  14    Exhibit No. 161. It's related to your property,  15    there's documents in this exhibit related to your  16    property.</p> <p>17    <b>(SEC Exhibit No. 161 was</b>  18    <b>marked for identification.)</b></p> <p>19    <b>BY MS. SPRINGER-CHARLES:</b></p> <p>20    <b>Q I'm showing you what's been marked as</b>  21    <b>Exhibit No. 161. Take a look at those emails, and</b>  22    <b>then -- I think you've touched on this already,</b>  23    <b>but I'd like you to just reiterate whether --</b>  24    <b>whether these documents reflect Joe asking you for</b>  25    <b>the payoff amount on your property, and you</b></p>	<p style="text-align: center;">Page 281</p> <p>1     A To Joe.</p> <p>2     <b>Q To Joe. I'm sorry.</b></p> <p>3     A Yes. I forwarded that to Joe in  4     response to his request.</p> <p>5     <b>Q Okay.</b></p> <p>6     <b>And the last page of this Exhibit 161,</b>  7     <b>is this the thank you note that you're referring</b>  8     <b>to?</b></p> <p>9     A Yes. I was so appreciative. I thought  10    he was a real friend.</p> <p>11    <b>Q You want a minute?</b></p> <p>12    A No. I'm fine.</p> <p>13    <b>Q Did he respond to you when you sent him</b>  14    <b>that thank you note?</b></p> <p>15    A I think he sent me the handwritten note  16    that I talked about in the very beginning.</p> <p>17    <b>Q Have you found that handwritten note?</b></p> <p>18    A I saw it at one point, and I don't know  19    where it is, but I did find it.</p> <p>20    <b>Q If you find it, do you mind sharing it</b>  21    <b>with Bruce, and if Bruce sees fit, then he can</b>  22    <b>share it with us?</b></p> <p>23    <b>MR. REINHART:</b> Yeah.</p> <p>24    <b>THE WITNESS:</b> I'll look tonight. And if  25    I can, I would love to find it and give it to you.</p>

<p style="text-align: right;">Page 282</p> <p>1 BY MS. SPRINGER-CHARLES:  2 Q Okay.  3 All of the expenses on Exhibit No. -- on  4 Exhibit 14?  5 MR. REINHART: 18.  6 BY MS. SPRINGER-CHARLES:  7 Q -- 18, none of these -- I understand,  8 but to make it clear, none of these were related  9 to the hotel, correct?  10 A None of those were related to the hotel.  11 Q Okay.  12 MS. SPRINGER-CHARLES: I'll ask the  13 Court Reporter to mark a copy of this composite  14 exhibit documents July 2013 emails related to what  15 I believe is insurance money that he may or may  16 not have loaned you, I'm not sure, that's what  17 I'm going to ask you to clarify for me, as Exhibit  18 162.  19 (SEC Exhibit No. 162 was  20 marked for identification.)  21 BY MS. SPRINGER-CHARLES:  22 Q I'm showing you what's been marked as  23 Exhibit No. 162.  24 Take a look at these emails, and then  25 tell me what's happening here.</p>	<p style="text-align: right;">Page 284</p> <p>1 <b>Properties.</b>  2 A I think it was Case Bendita, but it  3 could've been Cliff Road in Nantucket. I'm not  4 sure.  5 Q <b>And, again, that was a loan?</b>  6 A Yes.  7 MR. REINHART: If you look at Exhibit  8 18, that corresponds to one of the entries on  9 Exhibit --  10 MS. SPRINGER-CHARLES: Right.  11 MR. REINHART: Okay.  12 BY MS. SPRINGER-CHARLES:  13 Q <b>But that was not related to the hotel</b>  14 <b>because it is on Exhibit 18?</b>  15 A No.  16 MR. REINHART: It's also on Exhibit --  17 whatever this number was.  18 MS. SPRINGER-CHARLES: 160.  19 MR. REINHART: Thank you.  20 BY MS. SPRINGER-CHARLES:  21 Q <b>What I'm doing now is, I'm going through</b>  22 <b>that without really going through it. So the next</b>  23 <b>thing I want to talk about is the purchase of the</b>  24 <b>hotel. There's a bunch of handwritten notes here</b>  25 <b>that I found in your file that you produced to us</b></p>
<p style="text-align: right;">Page 283</p> <p>1 A I broke my Blackberry ranking. And I'm  2 thanking him for the insurance money on the house,  3 I believe.  4 Q Did he lend you money?  5 A Yes.  6 Q To pay the insurance on your house?  7 A Yes.  8 Q It looks like ultimately these funds, if  9 you follow this email trail, a hundred and  10 ninety-two thousand dollars, three hundred --  11 well, a hundred and ninety-two thousand, three  12 hundred forty-three dollars were wired to Matthews  13 Commercial Properties.  14 A Yes.  15 Q That was insurance money for which  16 house?  17 MR. REINHART: The question is which  18 house --  19 THE WITNESS: I'm trying to look. I  20 don't know.  21 MR. REINHART: Oh, okay.  22 BY MS. SPRINGER-CHARLES:  23 Q And I don't know if it helps, it looks  24 like if I follow this trail, it's been wired to  25 this Chase account from Matthews Commercial</p>	<p style="text-align: right;">Page 285</p> <p>1 that I want to ask the Court Reporter to mark as  2 Exhibit 163. And these seem to detail the  3 purchase -- all the different transactions that  4 went into you ultimately acquiring the hotel.  5 (SEC Exhibit No. 163 was  6 marked for identification.)  7 MR. REINHART: How much time do we have?  8 BY MS. SPRINGER-CHARLES:  9 Q I'm showing you what's been marked as  10 Exhibit No. 163.  11 And I really want to understand the  12 transaction, whereby, the hotel -- you acquired  13 the hotel. And so we may take some time, and if  14 you're patient with me, I may ask some questions  15 that, you know, are unclear, but I want to  16 understand it.  17 A But just to start, you do know that's  18 not my handwriting?  19 Q That's my first question. Who wrote  20 these documents?  21 A I don't know, but my handwriting is much  22 worse than that.  23 Q Okay.  24 A But I will still go through it and try  25 to help you.</p>

Page 286	Page 288
<p>1       Q   Okay.</p> <p>2       Well, let's leave that to the side. I'll</p> <p>3       talk and you tell me if I'm right and when --</p> <p>4       A   Okay. Go ahead.</p> <p>5       Q   -- I'm wrong, you'll correct me.</p> <p>6       My first question is: What was your</p> <p>7       role in Palm House's acquisition of Glenn Straub's</p> <p>8       membership interest? Were you there that day --</p> <p>9       A   Yes.</p> <p>10      Q   -- when the transaction occurred?</p> <p>11      A   Yes.</p> <p>12      Q   And what role were you playing?</p> <p>13      A   The guy buying the hotel.</p> <p>14      Q   Okay.</p> <p>15      Who else was there?</p> <p>16      A   Les, Craig Galle, Glenn Straub, Mia</p> <p>17      might've been there. I don't remember.</p> <p>18      Q   I'm going to represent to, you should</p> <p>19      know these, I read some of the depositions in the</p> <p>20      civil matters, and I was told that Ryan -- I mean,</p> <p>21      I wasn't told. I read someone said Ryan was not</p> <p>22      in the room at the time that the closing actually</p> <p>23      happened. What that true?</p> <p>24      A   Oh, he was outside the room. Glenn</p> <p>25      didn't want to see him. You're right.</p>	<p>1       Q   Yes, from Ryan?</p> <p>2       A   Yes.</p> <p>3       Q   Okay.</p> <p>4       Was Les supposed to act as the escrow</p> <p>5       agent in conjunction with the closing? I've seen</p> <p>6       an escrow agreement, and I think it may be</p> <p>7       attached to Exhibit 135.</p> <p>8       A   For certain -- I believe for certain</p> <p>9       things, there were holdbacks --</p> <p>10      Q   Right.</p> <p>11      A   -- at the closing for -- for the fine.</p> <p>12      Glenn was responsible for the fine. Even after</p> <p>13      this agreement ended, he was responsible for that</p> <p>14      fine. And there were some liens on the property</p> <p>15      from mechanics.</p> <p>16      Q   Okay.</p> <p>17      And Les was supposed to be the escrow</p> <p>18      agent for that?</p> <p>19      A   Yes, I believe so.</p> <p>20      Q   Did he set up some sort of escrow</p> <p>21      account?</p> <p>22      A   Oh, I have no idea. I have no idea what</p> <p>23      he did.</p> <p>24      Q   You didn't ask him?</p> <p>25      A   No. I didn't say, did you set up an</p>
<p style="text-align: center;">Page 287</p> <p>1       Q   He didn't want to see him?</p> <p>2       A   Yeah.</p> <p>3       Q   Why?</p> <p>4       A   I don't think he liked him.</p> <p>5       Q   Okay.</p> <p>6       Why weren't you a part, again, of any of</p> <p>7       the agreements? I think we talked about this</p> <p>8       before, but just to be clear, why weren't you a</p> <p>9       part of any of the agreements?</p> <p>10      A   I think it the same answer as I gave you</p> <p>11      before. My brother was doing me a favor, and I</p> <p>12      was trying to stay out of the papers from the blow</p> <p>13      up in '08. It was a nasty, nasty blow up, and it</p> <p>14      was lots of front page stories, and so I was</p> <p>15      trying to be low key and behind the scenes. Worked</p> <p>16      out great.</p> <p>17      Q   I'll show you what's been marked as</p> <p>18      Exhibit 135. You can keep that to the side. I</p> <p>19      think we only need to use it to refresh your</p> <p>20      memory if you can't recall something.</p> <p>21      But did Les Evans have specific power of</p> <p>22      attorney to sign the documents at the closing on</p> <p>23      behalf of Palm House, LLC?</p> <p>24      A   I believe he did. I believe he got one</p> <p>25      from Ryan.</p>	<p style="text-align: center;">Page 289</p> <p>1       account. No.</p> <p>2       Q   Was he supposed to?</p> <p>3       A   If the agreement says you were, then you</p> <p>4       are. I don't know.</p> <p>5       Q   Well, you were the guy purchasing the</p> <p>6       hotel, so I think you'll know -- I hope you know</p> <p>7       more than anyone else how the transaction was</p> <p>8       supposed to work.</p> <p>9       A   I know the numbers. I wouldn't -- if</p> <p>10      you told me right now, was there absolutely an</p> <p>11      escrow account for money, I would tell you I don't</p> <p>12      know. I'd have to read it and see and try to</p> <p>13      remember.</p> <p>14      Q   But I'm asking was there supposed to be</p> <p>15      one?</p> <p>16      A   In my mind, I thought there were certain</p> <p>17      holdbacks, and if I go through this and if you had</p> <p>18      the closing documents --</p> <p>19      Q   I do.</p> <p>20      A   -- it would help me because then I could</p> <p>21      look at it.</p> <p>22      Q   Let's look at Exhibit 20. I think the</p> <p>23      best one to probably look is the version at the</p> <p>24      back of Exhibit 20, the page that's Bates</p> <p>25      labeled --</p>

<p style="text-align: right;">Page 290</p> <p>1 A Yes. Okay.</p> <p>2 Q -- ROBERTMATTHEWS-0006570.</p> <p>3 A Okay. I'm familiar with that.</p> <p>4 Q <b>First of all, who drafted this closing statement?</b></p> <p>5 A Either Craig Galle or Les Evans, one of the two.</p> <p>6 Q <b>Looking at the bottom, Palm House wasn't really the seller, right? Right? This was wrong, Palm House wasn't really the seller?</b></p> <p>7 A Yes, that was wrong.</p> <p>8 Q <b>Glenn Straub was selling his membership interest in 160, correct?</b></p> <p>9 A Yes.</p> <p>10 Q <b>And Palm House was the buyer?</b></p> <p>11 A Yes.</p> <p>12 Q <b>Okay. So that was just an error?</b></p> <p>13 A I would call it a larger error, but, yes.</p> <p>14 Q <b>Okay.</b></p> <p>15 <b>Was there a separate -- like a disbursement statement created, other than this closing statement?</b></p> <p>16 A No.</p> <p>17 Q <b>Okay.</b></p>	<p>1 eight hundred and a million dollars.</p> <p>2 Q <b>Why?</b></p> <p>3 A I will show you.</p> <p>4 Q <b>Section 5.5 of the contract, was that --</b></p> <p>5 A Section 5 -- very good. Yes. Section 5.5, "Seller at closing shall give purchaser a credit for the full amount of any balance remaining under any outstanding contract with said tradesman."</p> <p>6 Q <b>Okay.</b></p> <p>7 A So we had a list -- Nicky had supplied a list of those outstanding contracts, and from memory, it was a little under a million dollars.</p> <p>8 Q <b>Did you produce that list to us?</b></p> <p>9 A I gave you whatever I had, but I know at the closing, there was a list.</p> <p>10 Q <b>At the closing, there was a list?</b></p> <p>11 A Yeah, at the closing. I don't know where it is, but there was a list.</p> <p>12 Q <b>Okay.</b></p> <p>13 A And I can tell you what happened, because I'll never forget is that we went to the closing and I told Glenn, oh, Glenn, you have to lower that by nine hundred thousand dollars, and he said, why? And I said, well, read paragraph</p>
<p style="text-align: right;">Page 291</p> <p>1 <b>So the purchase price -- we'll go through, and we'll get to my question from before as we go through this, I think. The purchase price was thirty-six million dollars initial, correct?</b></p> <p>2 A Initially, yes.</p> <p>3 Q <b>And then six hundred and twenty-five thousand was added for costs since July 8th, 2013, correct?</b></p> <p>4 A Yes.</p> <p>5 Q <b>So the total due when you added doc stamps and certain additional fees, such as intangible tax on the note and recording fees, was thirty-six million, seven hundred, seventy-six thousand, two hundred three dollars and thirteen cents, correct?</b></p> <p>6 A No.</p> <p>7 Q <b>Okay. That's what this document says, though, correct?</b></p> <p>8 A That document says that, but I don't believe it to be the truth.</p> <p>9 Q <b>Okay.</b></p> <p>10 <b>So what was the total due from the buyer?</b></p> <p>11 A I believe that it was reduced by between</p>	<p>1 5.5. And he read it. And he said, no, I'm not going to give you a credit.</p> <p>2 Then I said to his lawyer, Craig Galle, Craig, do me a favor and tell your client to please read the last paragraph. I was very specific on that. And so he looked at Glenn, and he said, Glenn, you have to give them a purchase credit for any balance remaining out of the outstanding contracts.</p> <p>3 And Glenn says, yes, I know what it says, but I'm not going to give it to you, and if you go to court, you could sue me, and it will take you two years, and you'll probably win, but I know that you want to close on this hotel today. And I'll never forget, I just stood up and reached over and I shook Glenn's hand. I said, Glenn, you clearly must need the money more than me, close the deal, Les. And so he hurt us by nine hundred thousand dollars.</p> <p>4 Q <b>Okay.</b></p> <p>5 <b>So then --</b></p> <p>6 A Other than, that's that.</p> <p>7 Q <b>-- in reality, you owe the thirty-six seven seven six two zero three point one three at the point you shook his hand and said, forget</b></p>

Page 294	Page 296
<p>1     <b>about it?</b></p> <p>2     A   Yes. Yes. Yes.</p> <p>3     <b>Q   Okay.</b></p> <p>4     <b>When I look at seller's deductions on</b>  <b>5     the left-hand side, I think it was a typo, and so</b>  <b>6     someone wrote in the thirty million, four zero</b>  <b>7     four zero seven nine point one four was the total</b>  <b>8     seller's deduction.</b></p> <p>9     A   Okay. If you add up all those numbers,  10    that's what it equals?</p> <p>11    <b>Q   Yeah, if you add them up, that's what I</b>  12    <b>got.</b></p> <p>13    A   Okay.</p> <p>14    <b>Q   The one below here says, seller credit,</b>  15    <b>thirty-six, six two five zero zero zero, and then</b>  16    <b>you subtract the seller's deductions. My question</b>  17    <b>is: Why wasn't the seller's deductions subtracted</b>  18    <b>from thirty-six million, seven hundred and</b>  19    <b>seventy-six thousand, two hundred three thirteen?</b></p> <p>20    A   Why wasn't the seller's deductions --</p> <p>21    <b>Q   Subtracted from the total due from the</b>  22    <b>buyer, which was this amount?</b></p> <p>23    A   Thirty-six seven seven six?</p> <p>24    <b>Q   Right. Why was it subtracted instead</b>  25    <b>from this original price?</b></p>	<p>1     use that number?</p> <p>2     <b>Q   Right.</b></p> <p>3     A   I don't know.</p> <p>4     <b>Q   Okay.</b></p> <p>5     A   You seem to make sense, though, just for  6     the record.</p> <p>7     <b>Q   But in reality, what really happened is</b>  8     <b>that it was the thirty-six million, six hundred</b>  9     <b>twenty-five thousand was what was used, right? Am</b>  10    <b>I correct?</b></p> <p>11    A   Yeah. And I'd like to go back to my  12    testimony and say that I think that Les's office  13    did this now.</p> <p>14    <b>Q   Okay.</b></p> <p>15    <b>Who at Les's, Craig Galle or someone</b>  16    <b>else?</b></p> <p>17    A   No. I believe this is Les's office now.</p> <p>18    <b>Q   Oh, Les Evans.</b></p> <p>19    A   Les Evans's office. Based on my  20    knowledge, I would say, yes, this is Les's office.</p> <p>21    <b>Q   Was there a law firm in Connecticut that</b>  22    <b>was working in Rogin --</b></p> <p>23    A   Rogin Nassau, yes.</p> <p>24    <b>Q   Did they work on this, as well?</b></p> <p>25    A   Yes. They did the offering agreement --</p>
<p style="text-align: center;">Page 295</p> <p>1     A   So instead of being subtracted from  2     thirty-six seven, why was this subtracted from  3     thirty-six six twenty-five?</p> <p>4     <b>Q   Yeah.</b></p> <p>5     A   Okay. So the purchase price in the  6     contract, there's also a provision that went in  7     his favor, and, of course, he wanted to keep that  8     one. So the purchase price was thirty-six  9     million, and then under one of these things, it'll  10    say, any money spent since a certain date. There  11    it is, cost since July 8th. It'll say in here  12    that I'm responsible for. So the real purchase  13    price was at thirty-six six twenty-five, right?</p> <p>14    <b>Q   Right. And then when you add these</b>  15    <b>other fees --</b></p> <p>16    A   Show me the fees over here.</p> <p>17    <b>Q   The doc stamps --</b></p> <p>18    A   Yeah.</p> <p>19    <b>Q   -- the intangible tax on the note --</b></p> <p>20    A   Recording fees.</p> <p>21    <b>Q   -- and recording fees. The real total</b>  22    <b>was thirty-six million, seven hundred and</b>  23    <b>seventy-six thousand, two hundred three dollars</b>  24    <b>and thirteen cents.</b></p> <p>25    A   And your question is: Why didn't they</p>	<p style="text-align: center;">Page 297</p> <p>1     I forgot the lawyer's name. They did the offering  2     agreement and helped with the -- as a business  3     thing. Les did the Florida law. They were like  4     real lawyers. I'm sorry. They were my lawyers I  5     was used to working with that were very capable.</p> <p>6     <b>Q   They did the offering agreement for what</b>  7     <b>entity?</b></p> <p>8     A   Palm House, LLC.</p> <p>9     <b>Q   Okay. The one that Gerry and Ryan are a</b>  10    <b>part of? Okay.</b></p> <p>11    <b>But, ultimately, what was due at closing</b>  12    <b>was six million, two hundred and twenty thousand</b>  13    <b>dollars nine hundred -- two hundred and twenty</b>  14    <b>thousand, nine hundred twenty dollars and</b>  15    <b>eighty-six cents, correct?</b></p> <p>16    A   That looks correct, yes.</p> <p>17    <b>Q   Okay.</b></p> <p>18    <b>When I look at that amount, it doesn't</b>  19    <b>appear to take into account this two million</b>  20    <b>dollars deposit that's articulated on the right</b>  21    <b>side of the page, but I did see two million</b>  22    <b>dollars get wired over to --</b></p> <p>23    A   Craig Galle.</p> <p>24    <b>Q   -- Craig Galle in August of 2015, August</b>  25    <b>15th, 2015. Was that the deposit?</b></p>

Page 298	Page 300
<p>1 A Yes.  2 Q If you look at Exhibit 160 --  3 A Yes.  4 Q -- you'll see it.  5 A Yes.  6 Q Okay.  7 I'm showing you what's been previously  8 marked as Exhibit 136. It's an email from Jade Yu  9 to you, Mr. Matthews, and it seems like Craig  10 Galle is the person that forwarded these on --  11 well, from you to Jade. I'm sorry. Craig Galle  12 had sent this email to Ryan cc'ing you. It says,  13 "Attached are the bank printouts for the nine  14 point two million dollars for the Palm House  15 acquisition."  16 MR. REINHART: You mean two point nine.  17 MS. SPRINGER-CHARLES: Two point nine. I  18 guess it's starting to get late -- it's not late.  19 Two point nine million for the Palm House  20 acquisition.  21 My only question on this is: Did South  22 Atlantic Regional Center wire nine hundred  23 thousand dollars on August 26th, 2013 towards the  24 closing? If you look at the back of this  25 document.</p>	<p>1 we must of given it to them before then, and he  2 held it in his escrow account.  3 Q Like I said, I saw the two million  4 dollars go over on August 15th, 2013 from Les  5 Evans's trust account --  6 A Right.  7 Q -- and I believe this nine hundred  8 thousand dollars that came from South Atlantic  9 Regional Center was also towards the closing, and  10 that was August 26th, 2013. I just want to  11 confirm that no money was actually transferred on  12 August 30th, 2013? Because I didn't see it.  13 A So are you saying that you think the  14 only money that went to the deposit of the hotel  15 was two million nine?  16 Q That's what I saw at that point, as of  17 August 30th.  18 A I don't recollect that. So we owe him,  19 approximately, nine million? Is that the case?  20 Q Well, I don't know how much you -- yeah,  21 I saw two million go over -- well, you owed six  22 point two million is what it looks like that you  23 owed him at closing. Because I didn't see -- I  24 guess --  25 A Okay. So we owed him -- okay. Due at</p>
<p style="text-align: center;">Page 299</p> <p>1 THE WITNESS: If it says they wired it,  2 I believe they wired it, yes.  3 BY MS. SPRINGER-CHARLES:  4 Q Towards the closing?  5 A Towards the closing, yes.  6 Q Okay.  7 No money was available at the closing  8 table, correct? No money was exchanged on August  9 30th, 2013?  10 A Well, whatever Craig had --  11 Q On that date. On that date. There was  12 no funds exchanged on that date?  13 A Oh, I don't know. I thought we would've  14 sent him money to buy the hotel.  15 Q On date of the closing --  16 A So no one wired money on the date of the  17 closing?  18 Q I didn't see any funds wired on the date  19 of the closing.  20 A I know we were short at the closing.  21 Q Right.  22 A We didn't have enough money to close. I  23 know that.  24 Q Okay.  25 A I assumed we had given them money. So</p>	<p style="text-align: center;">Page 301</p> <p>1 closing, I'm sorry, six two. And we didn't give  2 him any money at the closing?  3 Q I don't have any of it -- that's why I'm  4 asking you, if any funds were transferred on that  5 date? We'll continue to go, but I'm asking you --  6 A If that's the case, I believe you.  7 Q I'm not trying to trick you.  8 A No. I just can't imagine we go to a  9 closing, and we don't give the guy any money. It  10 sounds insane to me, but it could've been that's  11 what it was. I know we asked him to send other  12 money later on, and that was the money that was  13 borrowed by Revere, so --  14 Q Okay.  15 On 9/3, I saw two point five eight  16 million dollars transferred from Les Evans's  17 account, as well as one hundred fifty thousand,  18 nine hundred and twenty dollars and eight cents  19 transferred.  20 A Oh, okay. Okay. So a couple of days  21 later.  22 Q A couple of days later I saw additional  23 funds go --  24 A Okay. Now it makes sense. Sorry.  25 Q Okay.</p>

Page 302	Page 304
<p>1           <b>Then now, I guess, we talk about the</b>  2           <b>Revere Capital loan.</b>  3           A    Right.  4           <b>Q    It looks like Joe Walsh took out a three</b>  5           <b>point three million dollar loan secured by some</b>  6           <b>property that he owns from Revere Capital,</b>  7           <b>correct?</b>  8           A    That he owned or that --  9           <b>Q    Well, tell me.</b>  10          A    It was the Royal Palm deal --  11          <b>Q    Okay.</b>  12          A    -- with a fake lease.  13          <b>Q    What property was used to secure it?</b>  14          A    The Royal Palm deal.  15          <b>Q    Okay.</b>  16          A    The EB-5 loan.  17          <b>Q    So the space owned by the investors, or</b>  18          <b>was it the space separately owned by Joe Walsh?</b>  19          A    The space owned by the investors.  20          <b>Q    Okay.</b>  21          <b>Why did he do that?</b>  22          A    Why did he do a loan on his property?  23          <b>Q    Yes.</b>  24          A    Because he was short at the closing.  25          After all this work and all of his bravado, he</p>	<p>1           <b>for the purchase of the hotel, and that these</b>  2           <b>funds were ultimately sent from Mr. Galle's</b>  3           <b>account into Les Evans's trust account. Why was</b>  4           <b>that the case?</b>  5           A    We owed him X amount of money, and he  6           borrowed Y amount of money, and the difference  7           would go back to Joe -- I mean, go back to Les.  8           <b>Q    Well, that's my question. Was the</b>  9           <b>difference supposed to go back to Joe or to you?</b>  10          A    Well, not to me personally. It was --  11          my understanding was that the money that he  12          borrowed, he got it paid back, and that any other  13          monies were just the monies that Tony Reitz would  14          send in and would go back towards the hotel.  15          <b>Q    Did you tell Joe that you had received</b>  16          <b>this surplus into Les Evans's trust account?</b>  17          A    No, but Joe had all this. There's no --  18          <b>Q    Joe had all what?</b>  19          A    Joe had -- Joe knew everything that was  20          going on with the Revere. It was his deal. That  21          was his loan.  22          <b>Q    He knew that the one million -- the</b>  23          <b>million, sixty-four thousand, five hundred</b>  24          <b>eighty-five dollars (sic) and seventy-three cents</b>  25          <b>was going to come back into the trust account, Les</b></p>
Page 303	Page 305
<p>1           didn't have enough money to close the loan. And  2           so Ryan lined up a loan that he PG'ed for between  3           thirty and, say --  4           <b>MR. REINHART:</b> You used the term "PG."  5           <b>THE WITNESS:</b> Personally guaranteed for  6           thirty to -- whenever the loan was paid back. I  7           guess within a hundred and twenty days that loan  8           was paid back. And so he used his building as  9           collateral, that I think he owned the entity. To  10          be fair, I think he did own the entity.  11          <b>MR. REINHART:</b> He meaning Joe?  12          <b>THE WITNESS:</b> Joe owned the entity,  13          Royal Development, LLC, I believe it was.  14          And so he put a bridge loan on that to  15          get the money to Glenn that was going to be a  16          couple of weeks late from the closing.  17          <b>BY MS. SPRINGER-CHARLES:</b>  18          <b>Q    Okay.</b>  19          I'm showing you what's been previously  20          introduced as Exhibit 139. You can take a look at  21          these emails, but in looking at these, it looks  22          like there was a balance of one million,  23          sixty-four thousand, eight hundred fifty-eight  24          dollars and seventy-three cents remaining after  25          the funds were disbursed to Craig Galle and others</p>	<p>1           <b>Evans's trust account?</b>  2           A    I would say yes. I mean, I don't  3           remember having a conversation with him, but I  4           can't imagine anything but that.  5           <b>Q    Were those funds Joe's funds?</b>  6           A    Because he borrowed it from his  7           building?  8           <b>Q    Right.</b>  9           A    That's a good question.  10          <b>Q    Or the investor's funds?</b>  11          A    Well, he borrowed it from the building.  12          Which investors, the first group of investors that  13          he did the EB-5 deal or the Palm House investors?  14          <b>Q    Right. I'm trying to figure out whose</b>  15          <b>money was that.</b>  16          A    I don't know. I don't know whose it  17          was.  18          <b>Q    When I looked at the Exhibit 160 and how</b>  19          <b>the funds were used subsequently, it doesn't</b>  20          <b>appear to me that all of the funds were</b>  21          <b>necessarily used -- this is my question: Were all</b>  22          <b>of the funds used towards the construction of the</b>  23          <b>hotel?</b>  24          MR. REINHART: All of which funds? I'm  25          sorry.</p>

Page 306	Page 308
<p>1 MS. SPRINGER-CHARLES: The one million, 2 sixty-four thousand, eight hundred fifty-eight 3 dollars and seventy-three cents. 4 THE WITNESS: So I believe those funds 5 were used for the hotel, but I don't -- I mean, 6 I'd have to go through and just see -- when did 7 they come in 9/6/2013? 8 BY MS. SPRINGER-CHARLES: 9 Q Yes. 10 A So that's August 6th (sic). 11 Q Right before that, there's only nine 12 thousand dollars in the account if we take these 13 spreadsheets as correct. There's nine thousand 14 dollars that belongs to -- I guess for your 15 benefit or the hotel's benefit. And then 16 thirty-three thousand comes in and it goes out, so 17 that's a wash. You can cancel that out. Then the 18 next thing you see is the Florida UCC. Then you 19 see a Clerk of Circuit Court. Then New Haven. 20 A Oh, I see. So were some of those funds 21 used for him to do the deal when he paid off the 22 loan? Is that -- it could be. I'd have to know 23 what that Florida UCC was. I don't know. 24 Q But that's negligible. That's like 25 thirty-eight dollars.</p>	<p>1 So the seller did not deposit any funds 2 into escrow at closing or shortly thereafter? 3 Because if I -- 4 A The seller. Oh, he just did a due to -- 5 remember my due to, due froms? Guess what they 6 did at the closing? See these? See the broker's 7 commission for a million eight? That was a due 8 to, due from. So it's a really great example. So 9 say that Glenn owns a brokerage fee that has to 10 come off of his net price, right? That's a due 11 to, due from. These items are due to, due froms. 12 So if I you owed a million dollars at 13 the closing, but you owed seven hundred thousand 14 dollars worth of stuff, for example, escrow for an 15 air conditioning unit or an escrow for the two 16 thousand dollar a day account that were late, or a 17 lien, then they washed it. It's exactly what they 18 did. Are you with me? It's a due to, due from. 19 Q She needs to be with you. 20 A But do you know what I'm saying? 21 MR. GALDENCIO: So the seller's funds 22 that were due to them were reduced by those 23 amounts? 24 THE WITNESS: He's got it exactly right. 25 MR. GALDENCIO: And then that becomes</p>
<p>1 A And the thirty-three thousand is -- 2 Q That's a wash, because I think 3 thirty-three comes in, and I think that is for the 4 loans, and Les Evans gets it as part of that deal, 5 it looks like. 6 A Okay. But then 4/15/2003 -- 7 MR. REINHART: No. You're going 8 backwards. 9 THE WITNESS: Am I going backwards? 10 MR. REINHART: Yeah. 11 THE WITNESS: Sorry. 12 I don't know. It was either Joe's money 13 or the hotel's -- I don't know which one is which, 14 honestly. 15 BY MS. SPRINGER-CHARLES: 16 Q But it wasn't your money? 17 A It wasn't my money. I didn't own the 18 building. I didn't do a refinance. No. 19 Q Okay. 20 We were talking -- the way we got here, 21 I think, we were talking about the funds that were 22 to be placed in escrow at closing, or held back. 23 A But we didn't place any in escrow at 24 closing because there was no money. 25 Q Okay.</p>	<p>1 the obligation of the buyer? 2 THE WITNESS: Yes. He's got it exactly, 3 exactly right. That's exactly the deal. 4 MR. GALDENCIO: And how about that real 5 estate commission, was that paid? 6 THE WITNESS: It -- well, I mean, I saw 7 Les's documents that had it where he separated. I 8 had it when it was altogether. In my mind, it was 9 never paid because I saw a document that said he 10 paid, for example -- I'm making this up, but let's 11 just say a million dollars due towards mortgage 12 when I clearly thought that was coming from Joe as 13 a loan. So they -- at some point, they could've 14 had that amount of money in there to do it, but I 15 don't know if we ever got that paid. 16 MR. REINHART: Go back. Was the one 17 point eight million dollar brokerage commission 18 ever paid, as far as you know? 19 THE WITNESS: No. I think it's still 20 owed. 21 MR. GALDENCIO: And is it owed? Is it a 22 legal obligation to someone? 23 THE WITNESS: I don't know. I don't 24 know if it's a legal obligation today. I have no 25 idea.</p>

Page 310	Page 312
<p>1           MR. GALDENCIO: Has anybody filed a 2        claim or -- 3           THE WITNESS: No. 4           MR. GALDENCIO: So your experience in 5        real estate, one point eight million dollars 6        unpaid, nothing filed, it's probably not a -- 7           THE WITNESS: Yeah. Okay. So the 8        million eight, just to remind you of my 9        conversation earlier, that I had a three sources 10       of these, a million one, a million one, and a 11       million eight -- I thought it was a million eight 12       seventy-five. It's a million eight thirty-one. So 13       I never put a claim against trying to get the 14       money when this blew up or anything. That's what 15       you're asking me? 16           MR. GALDENCIO: So your understanding is 17        that money is owed to you, the real estate 18        commission was owed to you? 19           THE WITNESS: It was a broker called 20        Wells or something, if you look in here. 21           BY MS. SPRINGER-CHARLES: 22           <b>Q</b> <b>Yes. H. Alan Wells was listed as the --</b> 23           <b>A</b> Yeah. H. Alan Wells was the broker. And 24        what it was, H. Alan Wells was a friend of Les's. 25        And very common in the real estate, that you don't</p>	<p>1           MR. GALDENCIO: So we're actually 2        talking about three point one, plus additional 3        monies that to your understanding are due to you? 4           THE WITNESS: Absolutely, yeah. Yeah. I 5        mean, I'm doing a deal now, we don't have it done, 6        the development fee is five million dollars. So 7        doing a deal that's this magnitude working on it 8        for three years and ten months to buy it back and 9        making -- I mean, this is then, not today, but 10       making that amount of money then wasn't a big deal 11        to me. I think in '07, I made like twenty some 12        odd million dollars. Today, that would be the 13        moon to me because of where I am. But back then 14        it wasn't a big deal to go make a million eight 15        after all the work we did and negotiated. We got 16        this think at a steal. The appraised value, I 17        probably had seventy million dollars ahead of what 18        it was worth at the closing. Glenn had no idea 19        what he had. So, yes, that's absolutely my 20        understanding. 21           MS. IVORY: Just to confirm, by the use 22        of the one point eight million dollar brokerage 23        fee, pretty much that's one point eight million 24        dollars less you had to pay out at closing? 25           THE WITNESS: Yes. Yes. Along with all</p>
<p>1           pay the commission if you're -- if I'm buying a 2        building for a dollar, and the commission is ten 3        cents, I'm only giving you ninety cents. That's 4        pretty common, right, if it's my obligation. It's 5        the same thing here, that was never paid. HG 6        Wells, or whatever his name was, was going to do 7        it for -- I don't know five or twenty-five grand. 8        It was never going to go to H. Alan Wells. It was 9        never the intent. 10           MR. GALDENCIO: Was it to go to you? 11           THE WITNESS: It was always supposed to 12        go to me. I never took it, but it was there so 13        that when we fought with Glenn, so thank God we 14        had it in because we lost the nine fifty on the 15        other side, but -- so I never collected it, but it 16        was there. I guess if I wanted to push it, I 17        could've, but the money was never there, so I 18        never did. 19           MR. GALDENCIO: So your understanding is 20        the million that -- plus that's owed on the real 21        estate commission is owed to you in addition to 22        the other fees that we had talked about 23        previously? 24           THE WITNESS: The two one one, yeah. 25        Yeah.</p>	<p>1           these other numbers. 2           MR. REINHART: So it effectively reduced 3        the purchase price by one point eight -- 4           MS. SPRINGER-CHARLES: I understand 5        that, but to me you can't have it both ways. I 6        want to understand. 7           BY MS. SPRINGER-CHARLES: 8           <b>Q</b> <b>Does it wash the escrow amount that</b> 9        <b>Glenn Straub was supposed to set aside, or was it</b> 10       <b>just lowering the purchase price?</b> 11           <b>A</b> Well, it was doing both, right? 12           <b>Q</b> <b>Help me.</b> 13           <b>A</b> Let's just say that I'm going to buy a 14        building -- 15           MR. REINHART: Work off of this. Work 16        off the real numbers. 17           THE WITNESS: Sorry. Sorry. 18           So this building is going to cost 19        thirty-six million, six twenty-five, right? Can I 20        say that? And if you add up all the numbers on 21        the left, except for the seller financing, then 22        how much is that? About twenty-seven four to 23        thirty-four. So that's almost three million 24        dollars, right? 25           BY MS. SPRINGER-CHARLES:</p>

<p style="text-align: right;">Page 314</p> <p>1       <b>Q Okay.</b>  2       A You with me?  3       <b>Q Yeah.</b>  4       A Okay. Because the twenty-seven four is  5       the purchase money mortgage.  6       <b>Q I got it.</b>  7       A You've just got to take paper back for  8       that, so you don't owe it.  9       <b>Q Gotcha.</b>  10      A Okay.  11      So there's about three million dollars.  12      And of that three million dollars, you're not  13      paying it at the closing. It was never paid at  14      the closing. We didn't have the money. So if it  15      showed that we owed, for example, I'm making this  16      up, sixty two -- if it showed we owed him six two,  17      we really didn't have to come up with the six two.  18      We had to come up with --  19      <b>Q Less -- first, less one point eight as</b>  20      <b>broker's commission? I there with you.</b>  21      A Right. And all these things here, which  22      equal about three million dollars.  23      <b>Q Right.</b>  24      A Right? Down to the twenty-seven four --  25      <b>Q But you were telling me before that it</b></p>	<p style="text-align: right;">Page 316</p> <p>1       BY MS. SPRINGER-CHARLES:  2       <b>Q Glenn didn't pay?</b>  3       A But --  4       MR. REINHART: Hold on. Just answer  5       that question, that specific question.  6       BY MS. SPRINGER-CHARLES:  7       <b>Q No?</b>  8       MR. REINHART: Glenn never paid cash for  9       these expenses over here?  10      THE WITNESS: No, I don't believe he  11      paid cash, but, I believe, this gentleman can  12      confirm he got a credit for that amount of money  13      as if he paid cash. Right?  14      MR. GALDENCIO: I follow what you're  15      saying.  16      THE WITNESS: Okay. Thank you.  17      MR. GALDENCIO: And I'd just like to  18      clarify something because I misspoke on a number.  19      It was one point eight million. Before I was  20      saying it was one million and change. But it's  21      one point eight million on the commission. So you  22      were entitled -- your understanding is you were  23      entitled to one point eight million, plus the  24      other two million --  25      THE WITNESS: Plus the two two.</p>
<p style="text-align: right;">Page 315</p> <p>1       <b>Q</b> was a due to/from with the escrow, and you were  2       trying to clear that up with the one point eight,  3       but I don't think you can do both. They're  4       separate amounts. So it's just one or the other.  5       I don't think it can be both.  6       A I don't understand. What do you mean  7       when you say --  8       <b>Q</b> The first --  9       A -- it can't be both?  10      <b>Q</b> Did Mr. Galle put the seven hundred and  11      forty-four thousand or whatever it was supposed to  12      be in escrow?  13      A It was deducted and had to go into  14      escrow afterwards. So let me go slow. So when --  15      MR. REINHART: Answer her question. At  16      any point in time, did Glenn put seven hundred and  17      some thousand dollars in escrow, as far as you  18      know?  19      BY MS. SPRINGER-CHARLES:  20      <b>Q</b> With Les Evans?  21      A No. No.  22      <b>Q</b> No. Okay.  23      MR. REINHART: So all these numbers on  24      the left here that says Glenn's going to pay,  25      Glenn never paid?</p>	<p style="text-align: right;">Page 317</p> <p>1       MR. GALDENCIO: -- two two million --  2       THE WITNESS: Right.  3       MR. GALDENCIO: -- so it's really four  4       million dollars?  5       THE WITNESS: Right.  6       BY MS. SPRINGER-CHARLES:  7       <b>Q</b> You're going to have to stay with me on  8       this because --  9       A I will. I promise. I'm trying hard.  10      <b>Q</b> You guys maybe get it, but here --  11      because I feel like this money is getting counted  12      twice, and I don't think -- at least in my head.  13      Let's take it slow. If you can stick with me and  14      help me to understand it.  15      You owed -- forget the thirty-six point  16      seven million. You owed thirty-six million, six  17      hundred twenty-five thousand dollars, correct? You  18      have -- the seller is giving it financing,  19      twenty-seven million?  20      A Uh-huh.  21      <b>Q</b> Got it.  22      There's some other deductions that are  23      going to happen, and those deductions are the one  24      point eight million dollars, plus all these other  25      fees that are related to the liens that are on the</p>

Page 318	Page 320
<p>1 property and funds owed to other individuals. And  2 so when you subtract that amount, what you really  3 have to come up with is six point two million  4 dollars, correct?</p> <p>5 A I think that's correct.</p> <p>6 Q I'm just reading what the paper says.</p> <p>7 A Yeah, I believe that's correct.</p> <p>8 Q Okay.</p> <p>9 And when we added up all the funds, I  10 think six point two million ultimately gets  11 transferred to Glenn Straub. I believe that  12 happened when I looked at the paper trail. It  13 does get transferred to Glenn Straub. An escrow  14 account was supposed to be set up.</p> <p>15 A It gets transfer to Glenn Straub?</p> <p>16 Q The six point two million, I'm saying. I  17 believe it did. Correct me if I'm wrong. Am I  18 correct? He does get the six point two million  19 dollars?</p> <p>20 A Okay. I'm just saying he gets the  21 benefit of the six point two million dollars.</p> <p>22 Q I believe he actually got cash. When I  23 looked at all of the transactions, I believe six  24 point two was transferred towards the closing on  25 this property. Whether or not it happened right</p>	<p>1 for you, Bob.</p> <p>2 BY MS. SPRINGER-CHARLES:</p> <p>3 Q Then I see nine hundred thousand go in  4 from South Atlantic Regional Center on 9/26/2013.  5 Maybe my math is off, so please -- then I saw two  6 million, five hundred eighty thousand dollars  7 transferred on 9/3/2013. And I saw one hundred  8 fifty thousand, nine hundred and twenty dollars  9 and eight cents transferred on 9/3/2013. Both of  10 those amounts came out of Les Evans's trust  11 account, the last two amounts that I --</p> <p>12 MR. REINHART: One of those is the  13 proceeds of the Revere loan.</p> <p>14 MS. SPRINGER-CHARLES: It is not --  15 well, let me look at this account. This Revere  16 money does not come in until November 26th,  17 2013 -- September 4th. Okay. Let's see.</p> <p>18 MR. REINHART: The Revere money goes to  19 Galle directly. It doesn't go --</p> <p>20 MS. SPRINGER-CHARLES: Right. And I'm  21 getting there, I guess.</p> <p>22 MR. REINHART: Okay.</p> <p>23 MS. SPRINGER-CHARLES: It goes to Galle  24 directly. Did I get there in my outline yet with  25 you? Maybe not.</p>
Page 319	Page 321
<p>1 before or after, but ultimately he got the six  2 point two million is what I see in the paperwork.  3 Am I incorrect or am I correct?</p> <p>4 A No, I don't know now.</p> <p>5 Q You don't know.</p> <p>6 A I don't know now, because now you're  7 scaring me a little bit. I don't know. I was  8 with him in the sense that this is a deduction --</p> <p>9 Q I get that.</p> <p>10 A -- and that he got credit for it, but he  11 didn't actually get the money. You're saying he  12 actually got the money?</p> <p>13 Q Yes.</p> <p>14 A I didn't know that. Well, then we lost  15 an extra three million dollars.</p> <p>16 MR. REINHART: We've been through this,  17 as well. Just follow her.</p> <p>18 THE WITNESS: Okay.</p> <p>19 MR. REINHART: Maybe you should go  20 through and show him the deposits you see going in  21 that add up to six million.</p> <p>22 MS. SPRINGER-CHARLES: I think we just  23 went over that. So I saw two million dollars go  24 over on 8/15/2013 from Les Evans's trust account.</p> <p>25 MR. REINHART: Okay. I'm making a list</p>	<p>1 Eight hundred and ninety thousand  2 dollars and seventy-eight cents went to Galle  3 directly. I don't know what the total is on that.  4 What's the total?</p> <p>5 MR. GALDENCIO: Well -- so you have the  6 two million, nine hundred thousand, two million  7 five hundred eighty thousand, and one hundred  8 fifty-one thousand. Is that --</p> <p>9 MS. SPRINGER-CHARLES: One hundred fifty  10 thousand, nine hundred twenty dollars and eight  11 cents.</p> <p>12 MR. GALDENCIO: I'm sorry. One fifty --  13 so one fifty-two, we'll call it.</p> <p>14 MS. SPRINGER-CHARLES: And then  15 ultimately eight hundred and ninety thousand  16 dollars and seventy-eight cents. I don't know  17 what the total of that is.</p> <p>18 MR. GALDENCIO: It's almost six.</p> <p>19 MR. REINHART: Six point six.</p> <p>20 MS. SPRINGER-CHARLES: Right. So I'm  21 saying that I think --</p> <p>22 THE WITNESS: I figured it out. I  23 figured it out. I'm sorry.</p> <p>24 BY MS. SPRINGER-CHARLES:</p> <p>25 Q Because that's why I thought the money</p>

<p>Page 322</p> <p>1   <b>was being double counted.</b></p> <p>2   A  I'm sorry. Yeah, I figured it out. So</p> <p>3   it's really simple. It says it right here on the</p> <p>4   page.</p> <p>5   <b>Q  Okay.</b></p> <p>6   A  And this is what it says. See what it</p> <p>7   says? It says, seller deductions. So what they</p> <p>8   did is they netted out all that money. So if</p> <p>9   Glenn actually paid it at the closing, we would've</p> <p>10   added three million dollars more to the closing.</p> <p>11   Right? You're with me?</p> <p>12   <b>Q  I'm there.</b></p> <p>13   A  Yeah. So we did pay whatever number --</p> <p>14   <b>Q  The six point two.</b></p> <p>15   A  -- but the number would've been higher.</p> <p>16   <b>Q  Got it.</b></p> <p>17   A  That's it. That's the answer.</p> <p>18   <b>Q  Got it. So now we're back to my</b></p> <p>19   <b>question now.</b></p> <p>20   A  See this. It would've been like nine</p> <p>21   one. See, this that's the three and the six.</p> <p>22   That's what it would've been, the actual cash that</p> <p>23   was needed.</p> <p>24   <b>Q  I completely, completely understand.</b></p> <p>25   A  Okay. All right. Sorry. I'm sorry.</p>	<p>Page 324</p> <p>1   right.</p> <p>2   She's right.</p> <p>3   BY MS. SPRINGER-CHARLES:</p> <p>4   <b>Q  And I was there before.</b></p> <p>5   A  Sorry. I wasn't. I'm sorry, guys. I'm</p> <p>6   sorry. I wasn't.</p> <p>7   <b>Q  So the one point eight, technically</b></p> <p>8   <b>speaking, based on the documents that were</b></p> <p>9   <b>executed, you were supposed to pay it on behalf of</b></p> <p>10   <b>the seller to the broker, correct? You were</b></p> <p>11   <b>supposed to pay it?</b></p> <p>12   A  Yeah.</p> <p>13   <b>Q  Instead paying it to Glenn, you were</b></p> <p>14   <b>supposed to pay it to a broker technically is what</b></p> <p>15   <b>it looks like, am I right?</b></p> <p>16   A  Yeah. It was a deduct. You can say it</p> <p>17   that way.</p> <p>18   <b>Q  Okay. But to help me --</b></p> <p>19   MR. REINHART: Work with her mind-set.</p> <p>20   THE WITNESS: I'm trying to. Sorry.</p> <p>21   BY MS. SPRINGER-CHARLES:</p> <p>22   <b>Q  Now, the funds that were supposed to be</b></p> <p>23   <b>in escrow, did you put them into escrow?</b></p> <p>24   A  So then what happened is Joe sent money</p> <p>25   in into the account, and then as he did, Les,</p>
<p>Page 323</p> <p>1   <b>Q  I'm still there. I'm still there. The</b></p> <p>2   <b>one point eight million, you then were supposed to</b></p> <p>3   <b>pay that to a broker based on the written</b></p> <p>4   <b>agreements that -- the written agreements? We'll</b></p> <p>5   <b>get to what happened in reality. Correct? On the</b></p> <p>6   <b>seller's behalf, were you supposed to pay the one</b></p> <p>7   <b>point eight million dollars to a broker?</b></p> <p>8   A  We didn't have anything in writing to</p> <p>9   that effect, but that was a way to --</p> <p>10   <b>Q  To lower the purchase price --</b></p> <p>11   A  -- get a million eight --</p> <p>12   <b>Q  Off of the purchase price?</b></p> <p>13   A  -- towards the good guys.</p> <p>14   MS. IVORY: So is it safe to say that</p> <p>15   it's pretty much in essence you are covering the</p> <p>16   seller's cost with these expenses here? So the</p> <p>17   one point eight should've been technically by the</p> <p>18   seller, but --</p> <p>19   THE WITNESS: Yeah, technically, every</p> <p>20   one of these line items should've been paid.</p> <p>21   MS. IVORY: Right. Exactly.</p> <p>22   So I think that's why you brought up the</p> <p>23   due to, due from to kind of explain it to her, and</p> <p>24   I think --</p> <p>25   THE WITNESS: And I lost it. You're</p>	<p>Page 325</p> <p>1   under my understanding, separated out money to put</p> <p>2   in to hold these other monies, these one fifty,</p> <p>3   these retainage, the clearing lien, all that stuff</p> <p>4   was held as that money came in.</p> <p>5   <b>Q  That was my original question. I got it</b></p> <p>6   <b>now.</b></p> <p>7   A  Okay. Sorry. Sorry.</p> <p>8   <b>Q  And so my record's clear, you never paid</b></p> <p>9   <b>the one point eight million dollars to the broker?</b></p> <p>10   A  Yes.</p> <p>11   <b>Q  Even though the paperwork said that you</b></p> <p>12   <b>should've because of there was some unwritten</b></p> <p>13   <b>agreement where the function of that was just for</b></p> <p>14   <b>you to keep -- to lower the purchase price of the</b></p> <p>15   <b>hotel --</b></p> <p>16   A  You would've made that guy's life --</p> <p>17   <b>Q  -- correct?</b></p> <p>18   A  -- if somebody just walked in and gave</p> <p>19   him a check for a million eight --</p> <p>20   MR. REINHART: Answer the question.</p> <p>21   THE WITNESS: Yes.</p> <p>22   BY MS. SPRINGER-CHARLES:</p> <p>23   <b>Q  Okay.</b></p> <p>24   <b>So you believe that was your money?</b></p> <p>25   A  That was never collected, yes.</p>

Page 326	Page 328
<p>1       <b>Q</b> <b>That was never collected. Okay.</b>  2       <b>And you believe that Les Evans had set</b>  3       <b>aside the escrow money?</b>  4       A Yes, as the money came in.  5       <b>Q</b> <b>Was it ever disbursed?</b>  6       A I think the problem was that he ran it  7       all here. He just co-mingled everything. I think  8       that was the issue with Les.  9       <b>Q</b> <b>I'm going to show you -- just make sure.</b>  10      <b>Looking at the agreements, the seller, Straub, had</b>  11      <b>sixty days to pay the fine -- to have the fine</b>  12      <b>stop accruing.</b>  13      A Right.  14      <b>Q</b> <b>It never happened, right?</b>  15      A Right.  16      <b>Q</b> <b>What funds was he supposed to use to pay</b>  17      <b>that fine, the funds that were in escrow or his</b>  18      <b>own separate fund?</b>  19      A So what happened was, I believe, it was  20      sixty or ninety days later, he was supposed to do  21      it. If he didn't do it, whatever it was, we gave  22      him an extra thirty days to do it.  23      <b>Q</b> <b>Okay.</b>  24      A I called up Craig, and I said, your  25      client's about to lose five hundred and eighty-six</p>	<p>1       A Today in real life?  2       <b>Q</b> <b>Yeah, in real life.</b>  3       A Yeah. Today, all you'd have to do is go  4       in and show the town that you have the money to  5       finish it. They would be thrilled. At one point  6       we were talking to the town about settling that  7       fee for two million, three million -- I mean, two  8       hundred, three hundred thousand dollars. They  9       don't really -- they're not in the business to  10      collect -- they want to get the hotel done.  11      They're almost as frustrated as I am.  12      <b>Q</b> <b>Back then why didn't Glenn get it taken</b>  13      <b>care of?</b>  14      A Glenn, under the definition, if you look  15      at Wikipedia under Glenn Straub it says, most  16      litigious person in South Florida. Glenn doesn't  17      care about doing any -- I mean, Glenn loves to  18      have coffee with you in the morning, sue you in  19      the afternoon, and play tennis with you in the  20      evening. He has this thing where it's fun. He  21      loves going to court.  22      <b>Q</b> <b>Did you do anything to, you know, try to</b>  23      <b>stop the accrual of the fine?</b>  24      A Yes, absolutely.  25      <b>Q</b> <b>What did you do?</b></p>
<p>1       <b>Page 327</b></p> <p>1       thousand dollars, we're keeping that money. Okay.  2       Because the agreement was, if you don't pay it,  3       you lose it. So he didn't pay it. He lost the  4       money. It went into the project.  5       <b>Q</b> <b>If he was able to pay it, if the City</b>  6       <b>had said, okay, the town said we're going to stop</b>  7       <b>it --</b>  8       A And it's five eighty-six, yeah.  9       <b>Q</b> <b>-- where was the money supposed to come</b>  10      <b>from, from the escrow account?</b>  11      A Yes.  12      <b>Q</b> <b>Okay.</b>  13      <b>If he wasn't successful, which he</b>  14      <b>wasn't, did he still have the obligation to work</b>  15      <b>with the town to get this fine to stop accruing?</b>  16      A Not only does he have, he still has it.  17      It supersedes -- if you read the contract, it  18      supersedes the closing. So if that fine is two  19      five today, I specifically, knowing Glenn Straub  20      as I do, put in a set off from that mortgage  21      because it's twenty-seven five, I have a set off  22      for that two five.  23      <b>Q</b> <b>What was necessary for Glenn to get --</b>  24      <b>what is necessary for him to get the fine to stop</b>  25      <b>accruing?</b></p>	<p>1       <b>Page 329</b></p> <p>1       A Well, we worked on getting the project  2       CO'ed, so TCO'ed all of the rooms --  3       <b>MR. REINHART:</b> You're using acronyms.  4       <b>THE WITNESS:</b> Sorry. Sorry.  5       <b>MR. REINHART:</b> What's a CO and TCO?  6       <b>THE WITNESS:</b> We got temporary  7       Certificates of Occupancies at one point for the  8       rooms. So all of the rooms were done before you  9       get your final CO. You know, if you're moving  10      into a house. So we had the rooms all TCO'ed. And  11      we had other spaces, the spa, and the function  12      room, we had made a deal with the City that those  13      could be white spaced; in other words, just four  14      walls and sprinklers, and you didn't have to  15      finish those and get COs. So we were close to  16      getting that fine done. We were working hard to  17      get it done.  18      BY MS. SPRINGER-CHARLES:  19      <b>Q</b> <b>And why haven't you been successful?</b>  20      A On getting it done?  21      <b>Q</b> <b>Yeah.</b>  22      A Well, this certain gentleman stole like  23      twelve and a half million bucks, went to Hong  24      Kong, never to be seen again, put up a fake  25      mortgage on a second on the property backdated,</p>

<p style="text-align: right;">Page 330</p> <p>1 which messed up my title, and I've had a hell 2 of -- and then I have two contracts to get the 3 financing, and he killed both of those contracts. 4 That's why I haven't been able to get it done.</p> <p>5 <b>Q I get it. Maybe I needed to be more</b> 6 <b>specific. Do you need to get TCO in order --</b></p> <p>7 A A CO.</p> <p>8 Q A CO.</p> <p>9 A You need to get the final CO.</p> <p>10 Q <b>You need to get the final CO to get</b> 11 <b>this -- not just pay the money -- in addition to</b> 12 <b>paying the fine, you need to also get the CO for</b> 13 <b>the fines to stop running?</b></p> <p>14 A Yes. Yes.</p> <p>15 Q Okay. Okay.</p> <p>16 <b>When did Joe Walsh learn about this</b> 17 <b>issue, this two million dollar a day fine that was</b> 18 <b>accruing?</b></p> <p>19 A Two million. Two thousand a day.</p> <p>20 Q <b>Two thousand dollars.</b></p> <p>21 A That's even a big number for me.</p> <p>22 Q <b>When did Joe Walsh learn about that?</b></p> <p>23 A From the beginning.</p> <p>24 Q <b>And how do you know?</b></p> <p>25 A Well, because I told him about it. I</p>	<p style="text-align: right;">Page 332</p> <p>1 December of 2012, and the City again said, no, you 2 have a firm deadline of February the 14th, 2013 in 3 which to complete the hotel. Did Joe know that 4 all of those things were going on at the time?</p> <p>5 A I don't know what Joe knew. But just so 6 you're clear what happened, that's not exactly 7 what happened.</p> <p>8 Q Okay.</p> <p>9 A What happened was, that we were in a 10 recession, and so the Governor passed a law, so if 11 you had an outstanding building permit and you 12 were under construction, you could go in and get a 13 two-year extension. So he went in and got a 14 two-year extension.</p> <p>15 Q Right.</p> <p>16 A Okay. And then what happened was, they 17 passed another that you could ask for another 18 two-year extension. And what happened was -- and 19 this was told to me by the council, some of the 20 members of the town council, if it was anybody 21 else, they would've given him the extension, but 22 Glenn and Palm Beach, they didn't like him, so 23 they were never going to give him the extension. 24 But legally there's a lawsuit today, if he really 25 fought it, he'd probably win.</p>
<p style="text-align: right;">Page 331</p> <p>1 negotiated it in the contract. He had the 2 contract. He knew the deal.</p> <p>3 Q <b>In what contract?</b></p> <p>4 A The contract to buy the hotel. It'll be 5 there in three places. I could find it, but 6 there's three places that recites the fine and 7 says exactly what you have to do when you have -- 8 and that it supersedes the closing.</p> <p>9 Q <b>And Joe saw the contract?</b></p> <p>10 A Yeah, I'm sure he got a copy of the 11 contract. There's no doubt.</p> <p>12 Q <b>Because you sent it to him or you showed</b> 13 <b>it to him?</b></p> <p>14 A Okay. I do have a doubt. I don't know 15 if I sent him the contract, but I imagine he saw 16 the contract.</p> <p>17 Q <b>At the time that you initially started</b> 18 <b>negotiating with Joe --</b></p> <p>19 A With Joe? Not with Glenn? With Joe?</p> <p>20 Q <b>With Joe. When I look at the timeline</b> 21 <b>of how things played out, it looks like in July, I</b> 22 <b>think, of 2012, Glenn had went to the City to try</b> 23 <b>to get the timeline for completion extended, and I</b> 24 <b>think the City said no. And I think he went back</b> 25 <b>later maybe in December, I could be wrong, but in</b></p>	<p style="text-align: right;">Page 333</p> <p>1 Q <b>Do you know, you may not know, but do</b> 2 <b>you know when Joe learned of the lawsuit?</b></p> <p>3 MR. REINHART: Which lawsuit? I'm 4 sorry.</p> <p>5 MS. SPRINGER-CHARLES: The one Glenn 6 Straub filed against the City.</p> <p>7 THE WITNESS: From the beginning. That's 8 why I did an offset, so that if the fine was up to 9 twenty-seven million four, I didn't care, because 10 it was offset for the debt that you owed the man. 11 BY MS. SPRINGER-CHARLES:</p> <p>12 Q <b>And how do you know that he knew that</b> 13 <b>from the beginning?</b></p> <p>14 A Well, I don't remember talking to him 15 about it, but -- I actually -- you know what? I 16 do remember talking to him about it because I told 17 him I would make sure it was covered in the 18 contract. I do remember telling him that.</p> <p>19 Q Okay.</p> <p>20 The last question, you discussed that 21 back when you were entering into the business 22 relationship with Joe?</p> <p>23 A Yes.</p> <p>24 MS. SPRINGER-CHARLES: Off the record. 25 (A brief recess was taken.)</p>

Page 334	Page 336
<p>1 MS. SPRINGER-CHARLES: Back on the 2 record.</p> <p>3 BY MS. SPRINGER-CHARLES:</p> <p>4 Q Mr. Matthews, did you have any 5 substantive discussions with any members of the 6 staff while we were off the record?</p> <p>7 A I don't believe they were substantive.</p> <p>8 Q Okay.</p> <p>9 We were talking about the fines that 10 were accruing on the property for failure to 11 complete the construction by February of 2013. I'm 12 showing you what's been previously marked as 13 Exhibit No. 7. It's a copy of an email and an 14 attached letter from Jade Yu to Joe Walsh, bcc'ing 15 you. And Jade says, "Good afternoon, Joe. I 16 trust this message finds you most excellent. Bob 17 asked me to send you the attached letter of 18 explanation."</p> <p>19 And in this letter it appears that – 20 did you write and sign this letter?</p> <p>21 A I didn't.</p> <p>22 Q You did not write it?</p> <p>23 A I didn't write it or sign it.</p> <p>24 Q Who's signature is that?</p> <p>25 A I think Jade probably signed it. But</p>	<p>1 Q It looks like – the last four pages, I 2 believe. I'm sorry.</p> <p>3 MR. REINHART: Starting with 4592 is the 4 Bates?</p> <p>5 MS. SPRINGER-CHARLES: Correct.</p> <p>6 MR. REINHART: Thank you.</p> <p>7 MS. SPRINGER-CHARLES: And going through 8 45 -- well, 91 is the last page of it.</p> <p>9 BY MS. SPRINGER-CHARLES:</p> <p>10 Q It looks like the account was split. And 11 if we look at the last page, we see 9/3/13. It 12 says, deposit. Do you see that?</p> <p>13 A Yes.</p> <p>14 Q And it says -- in the memo it says, Loan 15 from R. Matthews, and the amount is the amount of 16 the broker fee that we talked about. Can you tell 17 me why Les Evans did this?</p> <p>18 A I have no idea.</p> <p>19 Q Did you -- I believe I know the answer, 20 but I'll ask for the record. Did you make a loan 21 of one million, eight hundred and thirty-one 22 thousand, two hundred and fifty dollars to 160 23 Royal Palm or Palm House, LLC?</p> <p>24 A I believe the loan he's referring to is 25 if the broker's fee was paid, and what Les did Les</p>
Page 335	Page 337
<p>1 I'm sure I told her to --</p> <p>2 Q Did you tell her to do so?</p> <p>3 A Yeah.</p> <p>4 Q Whey did Jade send Joe this letter at 5 this time?</p> <p>6 A I believe joe was getting questions on 7 the lawsuit and that's why he wanted the backup.</p> <p>8 Q So this wasn't the first time that he 9 was made aware of this issue?</p> <p>10 A No. This is sort of a formal letter to 11 show -- somebody must've asked him about it. It 12 was in the paper. And so this was to give a 13 formal letter. Joe asked for this letter 14 specifically.</p> <p>15 Q Looking at Exhibit No. 160, I believe, 16 which were the Quick reports from Les Evans's 17 account. At some point, it appears that the 18 account was split into about two or three 19 different subaccounts. If we look at the last one 20 just for ease of reference. We can all look at 21 the same thing. It's the one at 11/10/14.</p> <p>22 A This one?</p> <p>23 Q Yes. The last three pages, I believe, 24 of that account.</p> <p>25 A Right.</p>	<p>1 did.</p> <p>2 Q So the answer to my question is no or 3 yes?</p> <p>4 A Sorry. Could you say the question 5 again.</p> <p>6 Q Did you make a loan of one million, 7 eight hundred thirty-one thousand, two hundred and 8 fifty dollars to either 160 Royal Palm or Palm 9 House, LLC?</p> <p>10 A Not knowingly.</p> <p>11 Q You just did not –</p> <p>12 MR. REINHART: Just clarify your 13 question. Are you asking did he actually transfer 14 one million, eight hundred and thirty-one 15 thousand, two hundred and fifty dollars?</p> <p>16 MS. SPRINGER-CHARLES: Yes. That's the 17 first question. Did you actually transfer that 18 amount?</p> <p>19 THE WITNESS: Oh, no.</p> <p>20 BY MS. SPRINGER-CHARLES:</p> <p>21 Q Okay.</p> <p>22 Do you notice that the fees that appear 23 underneath this amount are the fees that are 24 related -- I believe these fees are related to 25 your home, as well the 149 Brazilian, LLC</p>

<p style="text-align: right;">Page 338</p> <p>1     <b>property? Do you see the purchase of that</b>  2     <b>property there?</b>  3       A Yes.  4       <b>Q Do you know, again, why things were set</b>  5       <b>up this way?</b>  6       A I don't, but I can tell you that some of  7       the fees in here are specifically related to the  8       loan that Joe lent me money on. So I wouldn't  9       have taken the money twice. I believe it was just  10      Les's accounting.  11       <b>Q So you still today -- I think Tim talked</b>  12       <b>about it -- believe that you're owed this one</b>  13       <b>point eight million dollars, approximately, one</b>  14       <b>point eight million dollars?</b>  15       A Yes.  16       <b>Q Yes?</b>  17       A Yes. If you want to ask me if I think  18       I'm going to get, it'll be a different question,  19       but, yes.  20       <b>Q I think this is going to be our last</b>  21       <b>question, but let me find it.</b>  22       <b>I'm showing you what's been previously</b>  23       <b>marked as Exhibit No. 133. It's a composite</b>  24       <b>exhibit of similar type Quick report entries -- or</b>  25       <b>reports. Turn with me to -- turn with me to the</b></p>	<p style="text-align: right;">Page 340</p> <p>1     Whether he thinks I got it, I don't really know.  2       <b>Q By paying those expenses that we saw</b>  3       <b>that were related to the house at 149 Brazilian?</b>  4       A The problem with -- nothing against Les,  5       is that I think it's just sloppy bookkeeping  6       because Les knew that the money from the house was  7       from Joe. So you can't have it both ways.  8       <b>Q Right. That's what I was going to --</b>  9       A You know what I mean? Nothing against  10      Les. He's a nice guy. But I mean, he paid us two  11      hundred and fifty thousand dollars too much money.  12      I don't even know how you do that.  13       <b>Q So you still owe him that two hundred</b>  14       <b>and fifty thousand?</b>  15       A Yeah. He sent two fifty over.  16       MR. REINHART: To clarify us, which us?  17       THE WITNESS: He sent it to 160. Not to  18      me, but to the hotel.  19       BY MS. SPRINGER-CHARLES:  20       <b>Q Let's look at the page that's Bates</b>  21       <b>labeled 577. It's 4/25/14. So if you go</b>  22       <b>backwards.</b>  23       A Sorry. Thank God you're here.  24       <b>Q This handwriting on the top of it, who's</b>  25       <b>handwriting is that?</b></p>
<p style="text-align: right;">Page 339</p> <p>1     report that's there in chronological order.  2     There's one that's 5/23/14, and the Bates label is  3     LESEVANS-000587.  4       A Okay.  5       <b>Q There's some handwriting on that page.</b>  6       <b>Do you know whose handwriting that is?</b>  7       A Not mine.  8       <b>Q The note there, I believe, says -- it's</b>  9       <b>9/3/13. It says, "RVM lent to 160 one million,</b>  10       <b>eight hundred thirty-one thousand, two hundred and</b>  11       <b>fifty dollars. Then from there, they paid it</b>  12       <b>back."</b>  13       <b>Was that a true statement?</b>  14       A Then from there they paid it back?  15       <b>Q That's what it says.</b>  16       A I don't really understand what it even  17       means. Then they paid it back.  18       <b>Q Okay.</b>  19       A I mean, if I were guessing, I believe it  20       was Les trying to keep track of the money. That's  21       what I think it is.  22       <b>Q Does Les believe that you got the</b>  23       <b>benefit of the one point eight million dollars, to</b>  24       <b>your knowledge?</b>  25       A I mean, I think he thinks I deserved it.</p>	<p style="text-align: right;">Page 341</p> <p>1       A I don't know. Les, please make sense --  2       <b>Q I think it says, make sure all items are</b>  3       <b>listed. Do you know who's handwriting that is?</b>  4       A I don't. I have no idea. Maybe his  5       bookkeeper. I don't know.  6       <b>Q It's not yours?</b>  7       A Oh, no. No. No. Mine's atrocious.  8       It's sharp.  9       <b>Q All right.</b>  10       <b>I think the last question on the</b>  11       <b>property, and then I'm done. What is the 2007</b>  12       <b>Declaration of Use Agreement that you entered into</b>  13       <b>the town of Palm Beach? Again, I'm not from your</b>  14       <b>world, so I don't know what that document does.</b>  15       <b>What is that document?</b>  16       A So there are a number of Declaration of  17       Use Agreements. I believe there were three from  18       the beginning.  19       <b>Q Right. Because there were two</b>  20       <b>subsequent amendments, I think.</b>  21       A Yeah. From the beginning, so when I  22       originally bought the hotel in '06. So it's an  23       agreement with the town where it says, Dearest  24       Developer, you're going to finish this project by  25       X-amount of time, or we're going to charge you a</p>

Page 342	Page 344
<p>1       penalty. You can do Declaration of Use. You can  2       have a hundred and fifty seat restaurant, and  3       you're not in a hotel zone. You're in  4       nonconforming use. And we're going to let you add  5       a floor on to the hotel, and you're going to have  6       so much open space.</p> <p>7       So it's really just a deal. It's you,  8       the City, negotiating with me on what deal you  9       want, and I'm trying to negotiate my best deal  10      with the City. And then in that Declaration of  11      Use, I had asked for various variances, so they  12      would give me variances, like, for example, that  13      hotel is almost no open space because it's all  14      concrete, construction, parking garage. There's  15      very little open space. So they may have a  16      requirement for thirty percent. I had eighteen  17      percent. And they give you a variance. And  18      that's all in that agreement.</p> <p>19      <b>Q Those agreements, the original one and  20      the two amendments, that is separate -- those are  21      separate and apart from the permits necessary to  22      engage in construction?</b></p> <p>23      A    Yeah. They're really all the same.  24      You're not going to be able to -- you have to have  25      that Declaration of Use Agreement sort of</p>	<p>1       <b>want to clarify anything that you said today?</b>  2       THE WITNESS: No. I think we're pretty  3       good.</p> <p>4       MS. SPRINGER-CHARLES: Do you want to  5       add anything to more completely respond to any  6       statements you've said today?</p> <p>7       THE WITNESS: I would like to just say  8       on the record that I hope that you understand how  9       big of a deal this hotel is to me and what it  10      meant. I bought it originally in '06 for  11      twenty-nine million, put down ten million in cash.  12      It had, approximately, twenty-four variances,  13      which was a record. The most was six in that  14      town. And it's the deal that cost me because I  15      PG'ed this -- personally guaranteed this debt, and  16      it's the deal that tumbled almost two million  17      square feet. So that I started with two thousand  18      dollars and a poor family house. I wasn't a trust  19      fund baby in Palm Beach. And I lost everything  20      because of this hotel.</p> <p>21      I then fought for three years and ten  22      months to get it back and worked on it when I  23      didn't even own it. When Glenn did. And I worked  24      hard to get it back. And then I got it back, and  25      I was very excited and doing a great job, and then</p>
Page 343	Page 345
<p>1       codifying what you're going to do with the hotel,  2       how many rooms you're going to have, how big they  3       are. So it's a way for them to really hold a  4       hammer over you to make sure they get what they  5       want out of the deal.</p> <p>6      <b>Q How is it different than a permit, or is  7      it not? I think I just asked, but I want to  8      understand.</b></p> <p>9      A    Well, a permit is different. So you're  10      going to go and I'm going to go to the Building  11      Department, and I'm going to -- and there's  12      construction that's been going on. I'm going to  13      take out a permit to do this work. I'm going to  14      send in a set of blueprints. But those blueprints  15      are going to be based on the Declaration of Use  16      Agreement.</p> <p>17      <b>Q Okay.</b></p> <p>18      <b>MS. SPRINGER-CHARLES: Okay. And I  19      think now is a good time to adjourn for today.</b></p> <p>20      <b>Mr. Matthews, I just want to remind you  21      that this is a confidential non-public  22      investigation. We are adjourning things for  23      today, but we'd like to resume -- I think we've  24      set the date to February 13th, 2017 at 9:30 a.m.  25      Do you necessarily wish to -- do you</b></p>	<p>1       I got the rug pulled out underneath from me in the  2       biggest way. Except for me being in coma eighteen  3       years ago, my life is completely upside down. I've  4       lost everything.</p> <p>5       And I just want you to know that this  6       is -- I'm gonna to find the money to finish this  7       hotel. I'm going to help the guys on the federal  8       lawsuit and cooperate with them. And I'm going to  9       get this thing built regardless of what Joe Walsh  10      did to me. Even if I have to pay back the money  11      that I never got, I would pay that back to the  12      federal guys just to do the right thing and get  13      this money back. And I believe that besides Mark  14      Walsh and myself were the only two guys that want  15      to help these guys out --</p> <p>16      <b>MS. SPRINGER-CHARLES: Mark Payne.</b>  17      <b>THE WITNESS: I'm sorry. Mark Payne.</b>  18      Freudian slip -- that want to help these guys to  19      get their money back, because I think this is --  20      I've never been such a victim, and then been  21      accused of stealing money. It's been a horrible,  22      horrible, horrible experience for me. And the  23      worst part is, the guy that took the money is  24      using the stolen money to fight me, and it's been  25      not fun. That's all.</p>

Page 346

1        But I just want you to know, I'm going  
2 to finish this somehow, some way. I'm going to  
3 keep going, and I'm going to get this -- I've got  
4 my whole life on it. I live in a really small  
5 town. It's a very political town. And I plan on  
6 getting it back, and I plan on inviting my  
7 President to the opening and making it work. So  
8 that's all I wanted to say.

9        MS. SPRINGER-CHARLES: Mr. Reinhart, I  
10 think we were pretty good at allowing you to  
11 clarify as needed.

12        MR. REINHART: Oh, yeah.

13        THE WITNESS: Do you which to clarify  
14 anything?

15        MR. REINHART: No. Thank you for  
16 offering. Thank you. I appreciate the courtesy.

17        MS. SPRINGER-CHARLES: Off the record at  
18 4:26 p.m. on January 31st, 2017.

19        (Whereupon, at 4:26 p.m., the  
20 examination was concluded.)

21        \* \* \* \* \*

22  
23  
24  
25

Page 347

1        PROOFREADER'S CERTIFICATE

2

3        In the Matter of: PALM HOUSE, LLC

4        Witness:        Robert Viers Matthews

5        File Number:    FL-03930-A

6        Date:            Tuesday, January 31, 2017

7        Location:        Miami, Florida 33131

8

9        This is to certify that I, Donna S. Raya,  
10 (the undersigned), do hereby swear and affirm that  
11 the attached proceedings before the U.S. Securities  
12 and Exchange Commission were held according to the  
13 record and that this is the original, complete, true  
14 and accurate transcript that has been compared to the  
15 reporting or recording accomplished at the hearing.

16

17

18        \_\_\_\_\_ (Proofreader's Name)

18        \_\_\_\_\_ (Date)

19

20

21

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25

<b>A</b>	2:6,7	209:14	263:16	133:20	106:23
<b>a.m</b> 1:15 5:3	134:25	210:17	322:22	146:6	108:24
93:6 113:25	136:8	211:7 275:3	<b>add</b> 124:19	<b>administra...</b>	113:2
280:21	137:25	<b>accrual</b>	192:19	148:10	167:16
343:24	198:21	328:23	194:20	<b>advance</b>	199:18
<b>A1A</b> 168:14	199:2 210:4	<b>accruing</b>	262:24	53:19	279:1
169:2	211:1	326:12	275:1	214:23	<b>agreed</b> 70:24
<b>AA</b> 26:23	212:16	327:15,25	277:21	<b>adverse</b> 8:23	109:3
<b>able</b> 70:18	214:10,17	330:18	294:9,11	<b>advise</b> 154:10	110:25
108:2	214:25	334:10	295:14	<b>advised</b>	111:8,11,14
115:12	215:14,20	<b>accurate</b> 22:7	313:20	151:12	126:3 127:2
145:11	217:10	201:13	319:21	<b>Advisors</b>	<b>agreeing</b>
149:19	230:23	252:17,19	342:4 344:5	67:8	110:21
167:17	238:17	347:14	<b>added</b> 291:8	<b>advisory</b>	<b>agreement</b>
173:17,25	239:1	<b>accurately</b>	291:11	35:14	34:14 36:23
198:24	<b>accountant's</b>	18:14,19	318:9	126:20,21	37:23 45:23
214:19	238:17	<b>accuse</b> 87:18	322:10	<b>affirm</b> 6:8	49:2 52:17
234:19	<b>accountants</b>	<b>accused</b>	<b>adding</b>	347:10	52:25 62:5
245:1	5:8	345:21	122:24	<b>afford</b> 140:18	69:12,16
271:11	<b>accounted</b>	<b>acquire</b>	148:2 179:3	140:22	82:3,4,11
327:5 330:4	235:2	54:23 57:6	<b>addition</b>	203:13	100:16
342:24	<b>accounting</b>	62:3 68:2	275:15	<b>afloat</b> 258:22	106:8 113:9
<b>absent</b>	132:14,15	<b>acquired</b>	311:21	<b>afternoon</b>	126:2,3,7
131:21	132:16	33:6,24	330:11	328:19	127:4 157:1
132:10	134:7,15	35:6,25	<b>additional</b>	334:15	157:3
160:16	135:23	36:3 51:23	97:21	<b>agent</b> 15:8,10	166:23
162:25	189:12	55:7,7	280:19	73:23 288:5	167:20
<b>absolute</b>	198:2	57:15 61:5	291:12	288:18	171:22
94:17	199:21	63:16 95:12	301:22	<b>agents</b> 90:1	172:1,4,15
<b>absolutely</b>	201:11	131:3	312:2	<b>ago</b> 28:22	173:5,7,8
82:12 132:3	211:20,24	150:18	<b>address</b> 8:1	46:20 49:11	220:25
215:4,7	212:5	178:5	64:12 79:2	57:4 62:17	242:19
234:3	217:12	285:12	272:12	64:23 67:4	244:5,6
278:13,17	232:8 234:1	<b>acquiring</b>	<b>adjourn</b>	67:25 81:18	245:15
279:8	235:1,3	68:1 285:4	343:19	91:25	288:6,13
289:10	249:5 266:1	<b>acquisition</b>	<b>adjourning</b>	101:24	289:3
312:4,19	338:10	147:18	343:22	126:24	296:25
328:24	<b>accounts</b>	239:6 286:7	<b>admin</b>	130:25	297:2,6
<b>AC</b> 231:25	26:9 90:13	298:15,20	138:11,19	144:4	325:13
<b>access</b> 206:16	150:8 151:6	<b>Acquisitions</b>	138:20	157:16,16	327:2
206:17	158:22	25:20 149:1	140:11	164:15	341:12,23
207:1,10,15	163:6,10,11	<b>acronyms</b>	142:22	166:12	342:18,25
207:18	200:9,12	329:3	143:11	207:13	343:16
208:8	206:4,6,11	<b>act</b> 288:4	145:1 146:4	214:21	<b>agreements</b>
<b>accommod...</b>	206:17,21	<b>acting</b> 113:17	<b>administra...</b>	215:14	69:9 106:9
19:1	206:23	<b>actors</b> 155:16	154:20	229:11	106:21
<b>accomplish...</b>	207:9,19,23	<b>actresses</b>	156:12	345:3	287:7,9
347:15	208:2,17	155:16	<b>administra...</b>	<b>agree</b> 34:24	323:4,4
<b>accountant</b>	209:6,6,11	<b>actual</b> 109:14	130:16,18	69:14	326:10

341:17	279:25	337:2	32:2 35:19	160:2	335:11,13
342:19	292:7	<b>answer's</b>	<b>appointme...</b>	198:25	342:11
<b>ahead</b> 17:15	294:22	28:11	212:2	270:19	343:7
24:6 44:24	297:18	<b>answering</b>	<b>appraisal</b>	<b>architects</b>	<b>asking</b> 16:14
119:2 138:8	304:5,6	20:7	220:21	34:20 35:13	16:17,19
141:2 286:4	309:14	<b>answers</b> 22:2	<b>appraisals</b>	36:14 224:8	18:22 20:13
312:17	312:10	22:6	47:15 52:2	224:9,10	20:16 21:9
<b>AIA</b> 178:8,11	313:8	<b>anticipating</b>	52:4 220:16	<b>architectural</b>	44:2 45:7
189:17,19	316:12	242:14	220:18	155:10	48:19 98:11
190:21	318:2	<b>anybody</b>	<b>appraised</b>	191:1	130:7 145:4
193:21	336:15,15	91:14 186:9	221:1,5,9	<b>argued</b> 71:25	161:13
200:4,25	337:18,23	225:21	236:13	<b>armed</b> 38:23	163:10
<b>AIG</b> 239:21	<b>amounts</b>	310:1	312:16	<b>arrogant</b>	174:9
239:24	233:10	332:20	<b>appraiser</b>	91:15,16	175:24
<b>air</b> 232:10,11	262:22	<b>anymore</b>	128:18	<b>Art</b> 219:25	198:15
308:15	308:23	23:2,22	<b>appraisers</b>	220:1 224:2	217:18
<b>airplane</b> 27:5	315:4	81:22 87:16	220:16	224:4	219:17
<b>al</b> 82:5	320:10,11	97:14,24	<b>appreciate</b>	<b>articulated</b>	226:23
<b>Alan</b> 39:9	<b>anal</b> 155:11	99:2 184:7	139:18	297:20	233:7
144:7	155:21	<b>anyway</b>	140:6	<b>ashes</b> 87:25	240:14
310:22,23	263:16	236:21	156:14	<b>aside</b> 203:10	260:13
310:24	<b>anatomy</b>	<b>apart</b> 47:23	346:16	259:23	279:24
311:8	192:4	77:6 140:23	<b>appreciative</b>	313:9 326:3	289:14
<b>Alibi</b> 25:6,6	<b>and/or</b> 20:14	342:21	281:9	<b>asked</b> 16:3	301:4,5
202:1	24:12 82:14	<b>apartment</b>	<b>appropriate</b>	21:2 22:4	310:15
<b>align</b> 195:13	138:10	144:22	130:12	34:3,5,6	337:13
<b>alive</b> 264:24	<b>another's</b>	146:16	<b>approvals</b>	38:14 43:10	<b>asks</b> 23:2,3
<b>allow</b> 19:7	8:24	<b>apologize</b>	59:3,10	48:15 56:3	261:18
<b>allowed</b>	<b>answer</b> 16:8	143:7	61:19	56:4 61:23	<b>aspect</b> 141:15
176:11	19:13,19	269:23	<b>approved</b>	71:13,14	<b>ass</b> 262:3
<b>allowing</b>	20:24 23:20	<b>appear</b>	96:25 155:9	98:13	<b>asset</b> 260:4
346:10	39:8,17,19	272:24	235:24	120:23	<b>assets</b> 259:6
<b>altogether</b>	61:2 66:18	297:19	<b>approxima...</b>	128:23	<b>assigned</b> 30:1
309:8	78:11,13	305:20	133:11	129:8,22	30:12
<b>amendments</b>	94:9,11,21	337:22	252:3	130:2	<b>assignment</b>
341:20	140:25	<b>APPEARA...</b>	300:19	131:16	91:4,6
342:20	142:11	2:1	338:13	147:14	<b>assistant</b> 5:9
<b>American</b>	146:25	<b>appearing</b>	344:12	164:21	130:16
27:19 28:3	152:24	11:3	<b>approxima...</b>	188:16	<b>assisting</b>
<b>Amherst</b>	161:1 164:7	<b>appears</b>	215:9	198:1,20	214:25
26:24	164:9	43:15	<b>April</b> 11:8	232:8	<b>associated</b>
<b>amount</b> 49:6	198:20	112:11	15:16,17	248:23	55:3 65:16
119:5	278:25	217:25	24:22 85:9	258:9	163:8
120:24	287:10	247:23	90:12 93:22	263:23	168:15
177:7 182:6	315:15	334:19	95:4,5,6	265:25	207:5,19,23
190:6 218:7	316:4	335:17	97:10	270:3,11	233:15
218:20	322:17	<b>applications</b>	105:10	272:10,12	242:14
233:15	325:20	271:25	159:20,22	301:11	<b>Associates</b>
247:6	336:19	<b>appointed</b>	159:23	334:17	158:5 220:8

247:25	168:14	274:23	150:13	<b>basic</b> 191:23	87:3,3
<b>assume</b> 9:2	<b>attempt</b>	299:7	187:3	<b>basically</b>	<b>beds</b> 96:4
15:5 20:25	80:16,19	<b>Avenue</b> 1:10	188:20	78:17 89:20	<b>beg</b> 83:13
35:18	<b>attention</b>	2:10 79:2	189:1,11,16	89:22	92:14
117:23	10:25 162:8	<b>average</b>	190:12	<b>basis</b> 219:14	<b>beginning</b>
123:18	246:10	47:17 52:7	194:11,11	255:11,11	63:2 83:23
145:24	<b>attorney</b>	128:18	194:14	<b>Bates</b> 107:10	88:16
173:1 185:5	38:10,18	129:9	196:11	169:22	141:11
209:6	39:12 40:14	<b>award</b> 87:2	197:3,3	171:9	158:11
<b>assumed</b>	41:5 157:7	<b>aware</b> 141:14	214:22	184:16	244:7
181:16	268:8	335:9	238:10	186:21	264:12,17
246:16	280:22		292:7 293:8	187:2	281:16
299:25	287:22	<b>B</b>	303:22	188:22,22	330:23
<b>assuming</b>	<b>attorney/cli...</b>	<b>B</b> 149:19	<b>balances</b>	190:2,19	333:7,13
182:15	39:14 216:9	221:2,4,9	215:6	194:25	341:18,21
<b>asterisk</b>	<b>attorneys</b>	<b>baby</b> 34:11	<b>ball</b> 34:21	196:12	<b>begins</b> 63:7
122:13,23	14:9 39:15	34:17 94:15	180:4	197:15	<b>behalf</b> 2:3,14
251:12	39:19,20,23	344:19	<b>bank</b> 56:15	218:15	17:10
<b>Atlantic</b>	157:11	<b>babysitting</b>	90:12 99:9	238:16,20	118:20
298:22	<b>August</b> 29:25	199:14	102:5	252:6 253:8	131:14
300:8 320:4	37:17 68:21	<b>back-end</b>	131:21	254:7 268:2	151:20
<b>atrocious</b>	76:19 95:1	110:11	132:8	280:4	170:25
341:7	95:2 150:19	111:14	136:14	289:24	233:11
<b>Attache</b>	183:18	112:17,23	150:7 151:5	336:4 339:2	287:23
223:2	257:19	126:5 127:9	151:6 152:9	340:20	323:6 324:9
<b>attached</b> 37:5	297:24,24	127:10,11	152:15,16	<b>bathroom</b>	<b>belief</b> 262:17
38:8 40:6	298:23	128:6	160:9 161:9	18:24	<b>believed</b>
45:2 69:10	299:8 300:4	<b>backdated</b>	161:16	145:11	244:16
77:20 78:25	300:10,12	161:23	200:6 206:4	154:12	260:17
79:21 101:8	300:17	169:19	206:6,17	<b>bathrooms</b>	<b>belong</b>
105:7	306:10	329:25	207:2,9,12	149:17	215:10
109:15,16	<b>authority</b>	<b>backed</b>	207:16,19	<b>baton</b> 155:23	<b>belonged</b>
111:22	132:4	272:24	207:23	145:11	159:15
112:11	137:20	274:12,15	217:18	334:14	<b>belongs</b>
121:17	153:9	<b>background</b>	239:19	<b>beach</b> 2:19	306:14
126:1 140:1	<b>authorizati...</b>	3:13 21:15	272:10	8:6 68:10	<b>Bendita</b>
169:15	131:21	21:25 26:19	298:13	82:7 96:25	277:1 284:2
172:1,2,11	132:10	<b>backup</b>	<b>based</b> 13:11	105:24	<b>benefit</b>
178:12,14	163:18	268:16	17:25 39:18	157:7	236:20,21
189:22	164:10	335:7	39:22 74:16	166:15	265:12
258:10	<b>authorized</b>	<b>backwards</b>	97:8 132:4	216:5,7	268:3,5
288:7	132:1 206:5	307:8,9	146:2 149:6	235:23	306:15,15
298:13	206:20	340:22	213:12	236:19	318:21
334:14,17	<b>authorizing</b>	<b>bad</b> 221:10	215:9	332:22	339:23
347:11	258:10	<b>Bag</b> 65:18	218:20	341:13	<b>benefits</b>
<b>attaches</b> 81:3	<b>auto</b> 239:21	66:24	262:17	344:19	126:19
<b>attachment</b>	<b>avail</b> 251:11	<b>bags</b> 65:20	296:19	<b>beat</b> 148:4	<b>Berger</b> 39:9
38:7 68:23	<b>available</b> 7:8	<b>balance</b> 63:9	323:3 324:8	156:8	<b>best</b> 22:7
<b>attachments</b>	251:25	141:6	343:15	<b>beautiful</b>	48:20 72:21

126:15	42:17,18	201:17	232:18,21	183:15	124:9
236:17	43:3,6,10	202:1,1,13	232:25	184:22,23	180:19
289:23	43:15 44:6	202:15	233:6	202:7 223:4	250:1 256:7
342:9	44:8,14	203:20	234:24	241:19	333:25
<b>better</b> 20:5	45:2,13	204:5,12	<b>borrow</b> 72:6	242:18	<b>briefly</b> 18:21
85:13 198:3	88:3 110:20	208:5	91:10	251:22	<b>bring</b> 154:24
254:25	149:10	<b>Bob</b> 37:6	<b>borrowed</b>	341:22	<b>bringing</b>
<b>beyond</b> 200:8	170:25	38:18 40:3	49:2 83:25	344:10	50:14 69:25
<b>Bianca</b> 57:3	<b>Black's</b> 44:12	42:17 71:6	83:25	<b>boxes</b> 268:24	<b>brochures</b>
<b>biancamatt...</b>	<b>Blackberry</b>	71:20,22	164:13,18	<b>boy</b> 85:21	62:16 220:5
214:1	283:1	76:6 102:4	167:3 270:6	<b>bragged</b>	224:2
<b>bid</b> 176:14,16	<b>blackmail</b>	119:16	271:8	247:5	<b>broke</b> 88:3
176:18	69:23	126:8,9,15	274:20	<b>branding</b>	88:17 97:25
205:20	<b>blah</b> 151:24	149:8	301:13	220:2	283:1
<b>bids</b> 35:13	151:24	258:23	304:6,12	<b>brasserie</b>	<b>broken</b>
176:13	191:1,1	261:18	305:6,11	52:11	188:21
<b>big</b> 50:16	<b>blahs</b> 191:1	268:25	<b>borrower</b>	<b>bravado</b>	217:25
70:4 85:22	<b>blank</b> 26:7,16	269:17,22	161:15,20	302:25	<b>broker</b> 204:4
88:5 144:21	<b>blew</b> 48:11	270:12	161:21,22	<b>Brazilian</b>	220:11
195:18	85:24 90:20	280:6,25	<b>bothered</b>	25:3 185:1	310:19,23
222:7	91:12,19	320:1	90:14	337:25	323:3,7
266:25	92:9 167:4	334:16	<b>Botticelli</b>	340:3	324:10,14
312:10,14	241:1	<b>Bob's</b> 43:17	25:10 67:8	<b>break</b> 18:24	325:9
330:21	245:15	44:15 45:11	<b>bottle</b> 154:23	47:24 88:4	336:16
343:2 344:9	249:17	72:18,20	156:19	88:21 92:24	<b>broker's</b>
<b>biggest</b> 50:14	254:25	<b>bombed</b>	<b>bottom</b> 44:9	130:12	308:6
50:15 54:9	271:15	86:11	105:16,17	153:14	314:20
345:2	310:14	<b>Bonaventure</b>	105:18	216:15	336:25
<b>bill</b> 52:20,20	<b>blind</b> 265:7	9:18 24:11	115:24	<b>break-in</b> 98:4	<b>brokerage</b>
90:15	<b>blow</b> 203:22	25:7 48:7	122:7,12	<b>breakdown</b>	26:9 46:8
232:12	203:23	49:17,17	125:20	175:12	46:10,11
233:23	204:7	51:3,5,11	169:23	<b>Breakers</b>	140:17
268:17	287:12,13	56:5,6,15	219:11	222:17	228:23
<b>billed</b> 101:11	<b>blown</b> 33:25	74:25	240:5 251:2	223:13	248:25
139:7 177:2	<b>blueprint</b>	102:21	252:6 253:2	<b>breath</b> 85:17	308:9
<b>bills</b> 36:17	237:18	133:16	253:7,13	<b>Breeze</b>	309:17
51:15 178:6	263:17	137:6 150:6	254:7	240:25	312:22
<b>bing</b> 225:24	<b>blueprints</b>	150:6 202:3	269:16	<b>Brickell</b> 1:10	<b>brokered</b>
<b>biographies</b>	226:10	242:7	290:8	2:10	220:12
129:15	343:14,14	<b>Bonaventu...</b>	<b>bought</b> 46:19	<b>bridge</b>	<b>brother</b>
<b>bios</b> 126:2	<b>BMW</b> 144:23	51:8	49:10 55:21	107:17,20	31:24 34:4
128:13	<b>board</b> 27:19	<b>bonus</b> 86:18	84:4 133:24	107:23	35:2 46:14
<b>birthday</b>	28:4 35:14	126:19	133:25	108:4,5,7,8	46:22 85:9
83:22	126:20,21	<b>bookkeeper</b>	167:1,7	108:9 252:1	85:10,16
<b>bit</b> 5:8 15:5	<b>boat</b> 60:3,4,5	165:25	170:5	303:14	86:7 87:7
319:7	60:6,7	341:5	179:21	<b>brief</b> 5:16	87:21 88:1
<b>Black</b> 30:20	137:8,8,8,9	<b>bookkeeping</b>	181:17	10:8 40:21	89:14,24
31:11 37:6	152:20,21	278:3 340:5	182:5,13,14	93:4 97:11	91:20 92:6
38:22 40:12	152:22	<b>books</b> 232:16	182:15	113:23	94:14

287:11	66:24	179:22	46:14 47:13	235:3	289:16
<b>brother's</b>	<b>bunch</b> 237:8	220:12	57:21 58:11	<b>carpet</b>	291:12
31:6 46:8	271:15	226:16	59:1 63:7	237:17	295:10
<b>brother-in-...</b>	284:24	239:15	81:19 89:13	<b>cars</b> 84:20	329:22
102:24,25	<b>bunches</b>	244:19,21	133:18,19	266:4	<b>certainly</b>
<b>brothers</b> 86:5	145:8	244:24	133:21	<b>Casa</b> 277:1	38:25
177:1,4	<b>business</b>	245:1	143:19	<b>case</b> 21:8	<b>certificate</b>
<b>brought</b>	27:17 46:17	250:19	152:6	30:22 71:24	191:2 329:7
323:22	47:21 48:2	299:14	156:18,20	284:2	347:1
<b>Bruce</b> 2:15	64:15 65:19	312:8	164:21	300:19	<b>certify</b> 347:9
8:3 22:4	66:5 100:6	313:13	219:13	301:6 304:4	<b>CFO</b> 83:16
46:3 281:21	100:9	331:4	224:16	<b>cash</b> 221:8	86:19 92:12
281:21	102:23	<b>buyer</b> 290:15	310:19	316:8,11,13	<b>chain</b> 43:15
<b>bucks</b> 132:20	103:18	291:24	326:24	318:22	116:16
167:2	105:8	294:22	<b>camera</b> 84:4	322:22	125:14
176:21	131:13	309:1	84:8,9,12	344:11	<b>chains</b>
201:19	132:8	<b>buying</b> 61:14	84:13	<b>catch</b> 99:12	125:24
329:23	138:17	84:20	<b>cancel</b> 306:17	180:5	<b>chair</b> 237:17
<b>budget</b>	139:16,23	266:20,23	<b>cancer</b> 27:19	<b>categories</b>	<b>chance</b>
115:15	140:1,9	267:8	28:3 53:5	202:18,19	176:17
197:1	147:5	286:13	53:25	<b>cause</b> 18:18	195:6
<b>build</b> 176:12	159:10	311:1	<b>cap</b> 221:10	93:18	272:15
191:18	225:13		<b>capable</b>	<b>cc'ed</b> 181:6	<b>change</b> 19:19
235:24	260:2,20,21		297:5	<b>cc'ing</b> 298:12	110:3 191:9
<b>builders</b>	260:25	<b>C</b> 3:1 4:1 5:1	<b>capacity</b>	<b>center</b> 254:8	191:10,13
177:2	261:5,9	<b>cabs</b> 170:10	16:12,14,19	298:22	191:15
<b>building</b>	297:2 328:9	<b>Cabtree</b>	16:22 17:9	300:9 320:4	192:6,17
46:19 93:19	333:21	222:5	<b>Cape</b> 26:23	<b>cents</b> 200:3	194:12,19
96:1 104:18	<b>businesses</b>	<b>calculation</b>	<b>Capital</b> 64:19	291:16	195:25
162:16	159:2	274:16	65:10	295:24	275:24
170:20	<b>Busto</b> 2:5 5:9	<b>calculations</b>	107:22	297:15	316:20
303:8 305:7	5:13 59:24	59:6,7	302:2,6	301:18	<b>changed</b>
305:11	60:11,18	115:8	<b>car</b> 87:11	303:24	109:1,5,10
307:18	61:9,13	124:15	146:16	304:24	110:3,6,14
311:2	73:2,4	125:1 274:1	239:23	306:3 311:3	110:16
313:14,18	153:18	<b>call</b> 73:3 87:9	240:11,12	311:3 320:9	111:4,17
332:11	271:17	87:10 143:2	240:16,16	321:2,11,16	112:24
343:10	<b>butts</b> 202:15	143:2	<b>card</b> 207:4,22	<b>CEO</b> 264:4	170:14,14
<b>buildings</b>	<b>buy</b> 34:15	146:10,11	208:6 266:2	<b>certain</b> 7:1	173:13
91:3 99:7	54:7 55:14	146:22	<b>cards</b> 208:9	<b>changes</b>	
266:24	57:22 61:9	152:4 197:9	<b>care</b> 14:16	126:11	
<b>built</b> 90:19	61:11,14	204:13	15:17 90:9	<b>character</b>	
95:24,25	62:8,22	290:18	328:13,17	246:8	
98:21	64:14 65:2	321:13	333:9	<b>charge</b> 35:5	
140:17,20	65:9 67:12	<b>called</b> 6:13	<b>career</b> 85:22	35:17 84:15	
154:22	84:5 104:1	11:16,19	<b>careful</b> 39:13	138:1	
223:17	108:2	13:10,20,23	134:22	256:22	
345:9	149:19	16:6 17:18	135:2 174:9	278:22	
<b>Bull</b> 65:18	168:1,2	18:3 28:23	234:5,6	341:25	
			288:8	<b>charged</b>	

137:2,3	<b>chronologi...</b>	277:2	<b>clematis</b>	297:11	<b>column</b> 136:2
272:3	31:14 37:4	282:17	104:2 239:3	298:24	200:6
<b>charities</b>	106:7 112:3	316:18	239:7,17	299:4,5,7	213:13,14
28:10	121:14	337:12	<b>Clerk</b> 306:19	299:15,17	214:14
<b>charity</b> 28:21	339:1	340:16	<b>client</b> 293:4	299:19,20	219:18
<b>CHARLES</b>	<b>chunk</b> 50:16	344:1	<b>client's</b> 8:23	300:9,23	<b>coma</b> 229:11
2:4	<b>cigar</b> 84:18	346:11,13	326:25	301:1,2,9	345:2
<b>chart</b> 122:12	<b>circled</b> 214:3	<b>clarifying</b>	<b>clients</b> 9:15	302:24	<b>come</b> 5:20
208:17	214:4	137:16	<b>Cliff</b> 284:3	303:16	12:1 36:8
209:5,6,10	228:21	<b>classified</b>	<b>close</b> 156:25	307:22,24	53:17 56:20
209:14	<b>Circuit</b>	212:24	185:16	308:2,6,13	56:21 63:20
272:20	306:19	277:24	240:25	312:18,24	75:23 88:1
273:22	<b>Cirque</b> 52:10	<b>classify</b> 151:2	253:24	314:13,14	90:18 97:20
274:24	52:11	213:1	257:18	318:24	108:23
<b>charts</b> 268:24	<b>City</b> 54:11,11	<b>claustroph...</b>	260:4	322:9,10	115:12
<b>chase</b> 91:1	220:3 223:6	87:20,22	293:14,17	327:18	135:8 137:9
102:5	327:5	<b>clean</b> 171:12	299:22	331:8	146:21
165:22	329:12	203:5	303:1	<b>closings</b>	150:7
172:8	331:22,24	230:18	329:15	157:23	155:17,17
283:25	332:1 333:6	235:9	<b>closed</b> 183:18	<b>clothing</b>	155:20
<b>cheaper</b>	342:8,10	<b>clear</b> 9:11	203:16	132:22	156:22
71:11 79:13	<b>civil</b> 7:4	17:8 19:9	247:17	<b>cloudy</b> 20:14	186:9 257:5
<b>check</b> 52:16	169:16	20:11,20,21	257:18,19	<b>club</b> 27:17	257:8,11
63:21,23	172:3	21:3,10	258:4 259:3	28:14,19	262:10,12
75:15 167:2	286:20	25:13 26:21	275:19,20	126:15,19	272:11
202:25	<b>claim</b> 13:11	40:10 58:20	<b>closer</b> 195:17	223:4,9,25	304:25
218:7	18:1 310:2	61:7 64:2	<b>closing</b> 30:6,9	224:1	306:7
222:15	310:13	67:22 94:5	30:10 49:2	235:16,17	308:10
238:2 267:3	<b>claimed</b>	117:20	91:9 123:14	236:15	314:17,18
267:4	88:23	118:5 144:3	140:17	237:21,22	318:3
325:19	<b>claims</b> 88:24	154:5 176:9	141:4	<b>clubs</b> 28:10	320:16
<b>checkbook</b>	<b>clarified</b>	178:9 196:3	179:23	29:1	327:9
211:10	137:13	218:3	180:3	<b>CO'ed</b> 329:2	<b>comes</b> 156:1
<b>checking</b>	256:21	231:13	183:17	<b>co-mingled</b>	201:5
56:21,23	<b>clarify</b> 16:8,8	234:15,16	185:4	326:7	306:16
211:13	16:24 19:12	240:9	203:10,14	<b>Cod</b> 26:23	307:3
217:2	22:5 32:24	262:21	250:23,24	<b>codifying</b>	<b>coming</b> 73:7
<b>checks</b> 56:11	35:17,21	269:24	251:5,9,11	343:1	78:16 98:23
56:12 217:6	61:1 62:21	277:3,17	251:25	<b>coffee</b> 328:18	159:24
217:11,14	123:17	278:7,12	253:19,21	<b>collateral</b>	199:5,15
<b>Chicago</b>	135:16	282:8 287:8	253:22	91:3 303:9	203:25
271:15	144:5 154:2	315:2 325:8	255:3	<b>collect</b> 328:10	204:1 241:9
<b>chief</b> 154:23	154:4 164:6	332:6	286:22	<b>collected</b>	243:1
156:19	164:8	<b>clearing</b>	287:22	311:15	262:16
<b>China</b> 88:8	174:25	325:3	288:5,11	325:25	309:12
<b>chocked</b>	210:6	<b>clearly</b>	289:18	326:1	<b>comments</b>
91:14	231:14	266:19	290:4,23	<b>College</b> 26:23	147:9
<b>choice</b> 9:5,6	258:15	293:17	292:6,16,17	<b>Colony</b> 64:8	255:15
<b>chosen</b> 213:1	266:9,21	309:12	292:18,23	<b>color</b> 155:12	<b>commercial</b>

221:4	227:16,23	29:5 42:15	<b>conduct</b>	<b>construction</b>	41:11
262:24	229:18,22	70:11,12	14:10	92:15	168:14,23
269:5	230:15	76:18 79:20	<b>conducted</b>	115:14	168:23,25
283:13,25	231:24	114:7 122:5	11:23,24	128:11	169:2,15,20
<b>commission</b>	232:4 239:5	168:12	17:21,22	129:8,14	170:3,13
1:1,9 2:3,8	239:6	180:7	131:13	147:17	171:14,17
5:12 6:4,4	259:20	247:23	132:7	155:1 160:6	176:5,10,10
6:24 9:2,13	267:1,2,4,6	276:24	<b>confidential</b>	161:5 166:5	192:10,16
69:12 308:7	271:22	279:12	343:21	166:6	195:22,23
309:5,17	<b>company's</b>	282:13	<b>configured</b>	168:15	220:10,12
310:18	231:22	338:23	58:22	174:1,17	292:4,8
311:1,2,21	<b>compare</b>	<b>computer</b>	<b>confirm</b> 15:8	175:19	295:6
314:20	187:9	11:25 12:2	26:7 300:11	178:2	327:17
316:21	199:20	12:9,19	312:21	182:10	331:1,2,3,4
347:12	<b>compared</b>	14:8 17:23	316:12	183:1 184:7	331:9,11,15
<b>Commission...</b>	347:14	36:15 88:12	<b>conflict</b> 8:22	184:12	331:16
7:12 8:20	<b>compensated</b>	217:9	9:14	205:3	333:18
<b>committees</b>	52:14 54:17	263:25	<b>conflicts</b> 9:4	226:19	<b>contracting</b>
28:5,5	237:24	<b>computers</b>	<b>confuse</b>	305:22	166:2 168:6
<b>common</b>	<b>compensati...</b>	13:4,5	141:1	332:12	173:16
264:6	54:19	35:13 88:6	<b>confused</b>	334:11	174:16,17
310:25	<b>compile</b>	88:11,15	15:5 23:13	342:14,22	175:9
311:4	186:14	<b>concept</b> 97:4	95:22 233:9	343:12	<b>contractor</b>
<b>communic...</b>	<b>compiled</b>	235:16	<b>confusing</b>	<b>consult</b>	27:10 168:7
39:14	188:7	237:21,22	181:23	163:23	188:9
<b>Community</b>	<b>complaining</b>	<b>concerning</b>	193:15	249:22	195:18
26:23	249:12	9:4 101:14	<b>confusion</b>	<b>consultant</b>	196:14,16
<b>commuters</b>	<b>complete</b>	154:2	172:24	47:16,19	<b>contractor's</b>
88:14	19:7 20:6	<b>concierge</b>	258:15	219:13	178:1
<b>companies</b>	22:7 83:10	223:5,6	<b>conjunction</b>	<b>consultants</b>	<b>contracts</b>
22:23 70:17	104:9	<b>concluded</b>	68:1 101:7	219:15	292:12
159:4	137:19	346:20	288:5	<b>Consulting</b>	293:9 330:2
162:11	248:25	<b>concrete</b>	<b>connected</b>	220:14	330:3
201:14	332:3	179:3	134:5	<b>CONT</b> 4:1	<b>contrast</b>
207:20	334:11	342:14	224:13	<b>contact</b> 97:20	189:2
264:3	347:13	<b>concurrently</b>	<b>Connecticut</b>	<b>contained</b>	<b>contributed</b>
<b>company</b>	<b>completed</b>	54:4,4,5,20	46:9 64:7,9	22:2,6	135:10
14:17 47:13	21:14 179:6	<b>conditioning</b>	65:13 66:23	<b>contempor...</b>	<b>control</b> 32:9
52:5 60:13	190:10,11	232:10,11	67:3 166:19	249:6	32:25 33:5
60:19 63:7	191:2	308:15	166:21	253:17	33:15,17
65:13 66:8	192:19,23	<b>condo</b> 96:6	205:6	<b>context</b> 184:9	41:21 57:8
77:19 166:5	<b>completely</b>	96:19,23,24	233:20	<b>contiguous</b>	57:12 65:25
166:6	77:5 96:2	96:25 97:2	296:21	58:9,25	66:7 83:10
174:17	234:13	97:4 221:2	<b>Conrad</b> 54:8	224:17	92:18
178:2 201:3	322:24,24	221:2,3,4,5	<b>considered</b>	<b>continue</b>	258:20
205:3,14,15	344:5 345:3	221:7,9	107:20,23	99:25 301:5	<b>controlled</b>
213:15	<b>completion</b>	236:2,5	<b>constitute</b> 7:3	<b>continued</b>	33:14 46:22
220:6	331:23	<b>condos</b> 89:1	274:11	97:10	49:20,25
224:22	<b>composite</b>	221:8	<b>construct</b>	<b>contract</b>	66:5,9

151:22	41:14	317:17	174:3,5	15:15 19:2	<b>create</b> 19:3
206:10	<b>corporation</b>	318:4,5,7	183:25	19:14 21:14	170:18
258:16	14:17 64:20	318:17,18	184:3	29:5 42:14	<b>created</b> 93:21
<b>controller</b>	65:11	319:3 323:5	197:10	54:13 58:19	170:19
264:4	<b>correct</b> 9:8	324:10	207:6,7	68:21 73:17	195:13,20
<b>conversation</b>	13:12 18:1	325:17	208:6	74:1 76:18	290:22
148:22	18:2 22:12	336:5	210:18	79:18	<b>creating</b>
305:3 310:9	23:24 29:23	<b>correspond...</b>	227:24	125:12	45:15
<b>conversatio...</b>	30:2,14,18	62:14	229:24	180:7	<b>credit</b> 91:12
19:21	31:13,21,22	<b>corresponds</b>	238:13	197:14	207:4,22
<b>convertible</b>	31:25 35:20	284:8	239:22	247:22	255:22
86:16	35:20 37:23	<b>COS</b> 329:15	242:6,7,8	276:23	292:7 293:2
<b>cook</b> 156:19	40:4 41:12	<b>cost</b> 147:17	249:11,11	279:12	293:8
229:25	56:16 59:20	175:25	249:12	282:13	294:14
230:8	60:18 69:19	182:3,4,7	284:3	285:1	316:12
231:10	71:2 72:11	182:10,17	301:10	293:12	319:10
<b>cooperate</b>	72:14 77:3	183:1,4,10	309:13	306:19	<b>criminal</b> 7:4
345:8	77:3 78:23	186:22	311:17	328:21	<b>Cross</b> 65:14
<b>coordinates</b>	80:22 97:9	187:8	<b>council</b>	<b>courtesy</b>	<b>cruncher</b>
102:5	105:9,13	189:13	332:19,20	346:16	222:18,25
<b>copious</b> 83:8	106:9,13	196:22	<b>counsel</b> 7:22	<b>covered</b>	<b>crying</b> 85:15
<b>copy</b> 7:6,11	114:10	223:7	7:24 8:9,19	333:17	85:18
10:16,23	129:17	295:11	8:25 9:3,5	<b>covering</b>	<b>crystal</b> 2:7
11:2 12:12	131:10	313:18	<b>count</b> 27:6	323:15	5:7,10 6:1
14:15 15:15	132:4	323:16	236:13	<b>covers</b> 237:9	21:3 97:8
21:14 29:5	133:16	344:14	<b>counted</b>	<b>CPA</b> 27:9	<b>current</b> 40:11
42:15 68:21	138:23	<b>costs</b> 175:25	317:11	<b>Craig</b> 63:6	<b>currently</b>
74:1,8	139:2	185:4 291:8	322:1	67:10	231:18
76:18 79:18	140:24	<b>could've</b> 27:2	<b>counting</b>	159:20,24	<b>custom</b>
81:4 105:4	142:19	46:19 49:12	170:4 176:5	242:12,13	<b>cutters</b> 88:3
125:12	171:3 172:5	49:12,13	182:7	242:24	<hr/> <b>D</b>
180:7	213:2,3	50:25,25	<b>country</b>	244:11,19	<b>D</b> 5:1 81:2
197:14	214:14	51:4 53:19	89:15	244:21,22	<b>daily</b> 47:17
198:2,6	215:4,4,6	53:20 55:12	<b>County</b> 216:7	245:17,21	52:7 128:19
217:5	225:14	56:11 60:15	<b>couple</b> 9:12	245:23	129:9
247:22	231:15,16	63:21,22	49:11 84:23	246:10,19	<b>damn</b> 144:11
276:23	245:2 246:1	94:1,4	213:17	252:15,16	<b>Dan</b> 69:15
279:12	246:2,6	102:19	279:5	257:5	75:6,16,19
282:13	261:1	103:20,21	301:20,22	286:16	76:5,20
331:10	270:17	122:1 130:3	303:16	290:6 293:3	77:9 80:7
334:13	280:25	131:23	<b>course</b> 7:9	293:4	81:11,12,17
<b>copying</b>	282:9 286:5	133:20,23	9:7 20:1	296:15	83:5
265:7	290:13	141:11	53:11	297:23,24	<b>Daniel</b> 68:11
<b>Cornwell</b>	291:5,9,16	143:18	139:11	298:9,11	68:12 74:2
268:9	291:19	148:13,14	142:2 295:7	299:10	74:12 82:3
<b>Corp</b> 43:19	296:10	148:14,18	<b>courses</b> 26:18	303:25	<b>Danny</b> 78:18
44:17	297:15,16	156:18,19	27:2	326:24	78:19 79:9
<b>corporate</b>	299:8 302:7	163:2,20	<b>court</b> 10:16	<b>crazy</b> 84:22	
9:15 16:23	306:13	164:21	11:6 14:15	90:8	

<b>date</b> 1:12	213:24	144:6	324:16	319:20	133:11,19
30:3,9,10	<b>daughters</b>	<b>dealings</b>	<b>deducted</b>	<b>Derrico</b>	138:10,18
97:17 98:12	93:13,14	46:16,17	116:23	125:22,25	138:25
119:15	134:20	47:21 100:7	123:4,9,12	147:5	139:1,4
150:20,22	208:8	100:9	123:13	<b>describe</b>	140:5,11,13
171:19	<b>David</b> 85:11	102:23	315:13	11:22 17:20	142:24
172:10,23	85:18,18	<b>deals</b> 47:7	<b>deducting</b>	134:10	143:9,14,15
179:6 180:9	86:1,19	48:20 51:20	116:25	<b>describing</b>	143:19
181:21	87:6,12	54:2,7,15	120:17	146:5	145:21,24
183:13	89:2 94:14	54:20,22	127:6	<b>description</b>	145:24
184:22	97:17	55:17,20	<b>deduction</b>	3:6 4:3	146:2,24
186:22	125:22,22	100:12,19	294:8 319:8	195:13,20	147:25
187:8	125:25	100:23,25	<b>deductions</b>	<b>descriptions</b>	148:13
192:11,12	126:10	103:21	294:4,16,17	196:1	149:6,13,23
192:20,23	128:10,12	142:6	294:20	<b>deserved</b>	150:21,24
195:3	128:22	154:19	317:22,23	339:25	150:25
243:16	129:11,13	263:9	322:7	<b>design</b> 47:19	154:20,23
251:12	130:1,3,3,6	<b>Dean</b> 34:12	<b>deed</b> 64:23	50:12,21	156:10
259:10	140:2 147:4	<b>Dear</b> 43:7	97:3	86:25 87:3	187:19,23
295:10	147:11	130:6	<b>deep</b> 145:10	191:23,25	202:4 234:9
299:11,11	<b>David's</b>	151:11	154:11	237:9	240:10
299:12,15	130:7	258:14	<b>defer</b> 36:8	<b>designed</b>	341:24
299:16,18	<b>day</b> 35:9,10	<b>Dearest</b>	<b>definition</b>	237:18	<b>developer's</b>
301:5	49:3 90:3	341:23	328:14	<b>designer</b>	142:10
343:24	141:11	<b>debit</b> 207:4	<b>definitions</b>	134:2,3	<b>developers</b>
347:6,18	155:5,6	207:22	24:23	155:2,3	139:6,7,8
<b>dated</b> 10:17	159:21	208:6,8	<b>Delaware</b>	226:13,13	<b>development</b>
10:24 11:7	222:16	<b>debt</b> 60:4,5	43:19 44:17	<b>designers</b>	145:7 160:6
15:16 37:5	280:18	60:12 90:23	57:5 66:23	237:13	186:22
38:1 40:2	286:8	90:25	<b>Delray</b> 68:4,9	<b>desks</b> 227:10	187:7,13
74:1 79:22	308:16	333:10	105:24	<b>destroyed</b>	204:13,23
81:2 109:21	330:17,19	344:15	<b>density</b> 59:8	14:5 18:10	205:15
112:4	<b>day-to-day</b>	<b>December</b>	<b>Department</b>	<b>detail</b> 155:11	303:13
125:12	35:5 155:24	270:19	343:11	285:2	312:6
169:17	211:23	331:25	<b>depending</b>	<b>detailed</b>	<b>diary</b> 233:13
171:21	219:5	332:1	70:6	216:22	<b>Dichi</b> 63:8
173:5	263:18	<b>decided</b> 70:8	<b>deposit</b>	<b>details</b> 64:1	<b>died</b> 53:6
250:13	<b>days</b> 49:3	<b>decision</b>	105:23	126:14	85:9,13
255:5	109:20	216:13	106:1,3,13	263:16	86:5,14
261:16	236:3	<b>decisions</b>	121:7	<b>determine</b>	229:12
273:17,20	261:17	36:9,12	246:11	6:25 201:12	<b>difference</b>
273:21,21	301:20,22	237:14	297:20,25	<b>Deutsche</b>	156:7 278:5
<b>dates</b> 184:13	303:7	<b>Declaration</b>	300:14	272:10	304:6,9
249:10	326:11,20	341:12,16	308:1	<b>develop</b>	<b>different</b>
257:14	326:22	342:1,10,25	336:12	61:17	52:13 54:10
<b>daughter</b>	<b>dead</b> 156:8	343:15	<b>depositions</b>	<b>developed</b>	54:15 55:19
84:4,6,7	<b>deadline</b>	<b>decrease</b>	286:19	7:2	58:10,21
135:7 214:3	332:2	274:16	<b>deposits</b>	<b>developer</b>	114:16
<b>daughter's</b>	<b>dealing</b> 82:21	<b>deduct</b>	274:25	56:9,13,19	115:19

117:6	161:3,20	139:17,20	216:21	248:4,10	142:23
122:19	320:19,24	140:12	217:20	249:7,14,15	145:1
132:24	321:3	141:7	218:4,16	273:9	147:25
135:20	<b>director</b> 5:9	180:24	268:23	279:15,24	148:25
145:21,23	154:3	257:10	273:4,7	282:14	150:1
146:8 173:4	<b>Directors</b>	<b>discussions</b>	291:18,20	285:20	156:18
187:11	25:17	5:22 10:11	298:25	287:22	185:22
188:21	<b>disbursed</b>	41:1 93:9	309:9	289:18	189:7
216:24	119:12	114:3	341:14,15	309:7 324:8	214:22
246:21	120:9	124:14	<b>documenta...</b>	<b>doing</b> 52:14	236:25
260:14	303:25	153:23	62:11,13	52:22 53:13	237:2 262:2
268:24	326:5	218:21	263:6 280:1	61:5 70:25	263:8 264:9
285:3	<b>disburseme...</b>	250:5	<b>documented</b>	75:9 81:23	272:25
335:19	290:22	256:12	126:6	84:21 107:5	302:5
338:18	<b>disclaimer</b>	267:17,18	<b>documents</b>	108:22,24	308:16
343:6,9	8:18	334:5	3:14 11:17	115:8 117:9	309:17
<b>differently</b>	<b>discount</b>	<b>disposed</b> 14:5	11:19,23	124:15	311:2
118:5	114:16	18:10	12:5,17	125:3	312:22
<b>difficult</b>	117:19	<b>distinction</b>	13:10,20,23	128:24	330:17
246:8	<b>discovery</b>	54:18 67:18	14:2,6,11	129:3,23	<b>don</b> 330:4
<b>diligence</b>	208:24	<b>distinctly</b>	16:6 17:18	142:10	<b>Donald</b> 28:13
267:21	<b>discuss</b> 29:19	145:23	17:21,25	149:20	<b>Donna</b> 347:9
<b>direct</b> 36:18	39:11,13	<b>Diversified</b>	18:3,7 21:7	154:15	<b>door</b> 151:25
42:2 77:15	71:23 83:2	1:24	29:6,11,20	155:18	239:16
86:10	141:19	<b>diving</b> 27:12	31:13 40:6	178:1,5	<b>double</b> 322:1
160:24	148:16	<b>division</b> 2:9	41:15 45:23	182:8 186:8	<b>doubt</b> 331:11
<b>directed</b>	<b>discussed</b> 9:3	5:11 6:3	50:9 76:19	215:13	331:14
10:25 15:7	9:14 38:6	87:13	79:20,22	220:4,4	<b>downstairs</b>
15:25 16:2	39:18,21,23	<b>doc</b> 291:11	104:25	224:5	170:12
16:4 17:3	107:1	295:17	105:7	234:12	192:2
24:22 57:22	114:13	<b>docs</b> 96:19	108:19	235:17,19	<b>dozens</b> 23:1
132:9 152:7	126:18	97:5 126:15	109:14,15	237:24	<b>DP</b> 185:10
212:25	134:11	<b>document</b>	111:22	247:7	<b>draft</b> 37:13
<b>directing</b>	141:20,22	21:22 37:3	112:2 128:7	248:20	169:9,11,12
62:11 258:7	141:24	38:4,8,12	128:22	264:19	173:12
258:11	142:1,17	53:22 77:20	129:17	272:9 274:1	<b>drafted</b> 290:4
<b>direction</b>	165:16	80:13 81:1	134:15	277:7	<b>drafting</b>
131:15,17	196:15	107:7,13	139:25	284:21	100:16
152:10	333:20	109:5,11,19	141:14,15	287:11	<b>dramatically</b>
153:7	<b>discussing</b>	111:21	142:7 146:1	312:5,7	173:13
160:16	114:24	112:9,10,12	146:3	313:11	<b>draw</b> 215:3
162:25	186:4	122:9	148:24	328:17	228:22
<b>directly</b> 24:9	264:10	134:10,10	149:7,22	344:25	<b>drew</b> 61:20
51:2 61:15	<b>discussion</b>	140:3,6,7	159:19	<b>dollar</b> 48:23	<b>drink</b> 18:24
73:22 76:11	29:10 42:15	147:24	162:9	56:19 86:18	<b>Drive</b> 2:17
104:4 121:1	78:6 106:22	161:23	168:13	105:23,25	8:5
133:14	118:1	171:7	169:9 181:2	106:3,13	<b>dropped</b>
149:1 158:9	121:10,18	190:17,25	208:12	117:8 123:6	170:21
160:12	138:7,8	208:16	247:23	124:24	<b>drugs</b> 18:17

<b>due</b> 123:23	88:13	225:2,7	49:11 50:23	90:15	303:21
132:17	128:17	230:1,13	99:6 202:8	<b>electrician</b>	<b>empty</b> 266:23
133:10	164:6,9	<b>educated</b>	229:11	230:12	<b>encompass</b>
135:4,14,15	170:7	175:23	241:12	235:10	29:8 156:11
135:17,17	221:16	<b>educational</b>	247:9	<b>elevator</b>	<b>endeared</b>
136:22,22	245:15	26:17	342:16	145:15	84:3
139:13	310:9	<b>effect</b> 33:18	345:2	170:8,10	<b>ended</b> 49:3
150:11,11	<b>early</b> 95:17	323:9	<b>eighty</b> 236:23	176:12	57:5 84:8
199:24,24	145:9	<b>effective</b>	236:25	191:18,19	110:14
200:3 203:4	154:10	32:24	320:6 321:7	<b>elevators</b>	140:21
203:4	242:10	<b>effectively</b>	<b>eighty-five</b>	145:16	144:20
214:14,14	<b>ease</b> 335:20	313:2	179:19	156:4,5	280:14
215:5,11	<b>easier</b> 36:3	<b>eight</b> 26:14	186:23	170:9	288:13
219:1,1	47:25	81:18 90:14	197:4	<b>eleven</b> 48:19	<b>Enforcement</b>
227:25,25	<b>EB-5</b> 58:5	107:3	304:24	51:13	2:9 5:11 6:2
228:9,9,12	59:19 60:24	110:16	<b>eighty-four</b>	116:25	<b>engage</b>
228:12,17	61:5 62:3	123:19,20	177:23	<b>Elm</b> 91:1	342:22
228:17	63:4 73:11	124:1,24	<b>eighty-nine</b>	<b>emailed</b>	<b>engaged</b>
230:16,16	82:8 99:9	125:1 127:6	200:2	151:9 152:5	148:24
230:19,19	101:15	164:15,15	<b>eighty-one</b>	<b>emailing</b>	<b>engineer</b>
232:3,3	159:2	185:4	182:7	264:19	173:21
234:7,21,22	221:20,23	203:11	221:12	<b>emails</b> 3:22	<b>enter</b> 167:15
267:21	236:17,18	253:8 267:9	<b>eighty-six</b>	3:23 4:4,5	209:21
272:23	239:10,12	292:1	297:15	12:21 52:21	<b>entered</b> 36:4
274:10,18	239:13	301:15,18	326:25	59:21 62:10	41:11
291:11,23	244:10	303:23	327:8	62:13 69:7	209:24
294:21	246:15	306:2 308:7	<b>eighty-two</b>	70:12 72:8	210:3
297:11	247:17	309:17	221:12	78:5 79:21	341:12
300:25	259:5,21	310:5,8,11	236:13	80:5 98:11	<b>entering</b>
308:4,5,5,7	260:3 261:7	310:11,12	<b>either</b> 24:9	100:15	166:22,23
308:8,10,11	262:15,19	312:14,22	33:22 47:22	105:7 106:6	255:16
308:11,11	262:20	312:23	56:20 59:18	108:17	333:21
308:18,18	265:21	313:3	60:24 62:2	109:17	<b>enters</b> 5:13
308:22	271:2,6,9	314:19	62:24 64:22	114:9,14	<b>entities</b> 8:15
309:11	271:24	315:2	82:13	125:15	8:20 9:1,7,8
312:3 315:1	272:15	316:19,21	149:18	147:4,12,14	9:12,17,21
323:23,23	274:9 275:8	316:23	151:5	158:8,19	16:11,15,17
<b>duly</b> 6:14	278:10	317:24	152:10	160:17	24:20,24
<b>dumb</b> 262:6	279:7	320:9 321:1	157:25	168:13	29:10,19
<b>dumpsters</b>	302:16	321:10,15	160:20	169:14	36:2 47:22
65:20	305:13	323:2,7,11	162:4,6	172:8	63:16 64:6
<b>DW</b> 68:24	<b>economic</b>	323:17	175:9	179:16,17	65:15
	35:1 236:20	324:7 325:9	207:15	180:8 181:3	130:11
<b>E</b>	<b>Ed</b> 181:13	325:19	212:25	181:7 188:3	151:21
<b>E</b> 2:15 3:1	186:13,16	336:21	255:11	258:7	162:6
4:1 5:1,1	188:4 195:1	337:7,14	290:6	264:10	174:22
153:17,17	195:11,20	338:13,14	307:12	276:24	175:2,10
<b>earlier</b> 16:1	222:10,12	339:10,23	337:8	279:21	242:11
34:6 77:6	224:25	<b>eighteen</b> 49:5	<b>electric</b> 51:16	282:14,24	<b>entities'</b>

16:20	314:22	160:3	<b>exactly</b> 74:17	<b>execute</b> 69:9	<b>expertise</b>
<b>entitled</b> 1:14	<b>equaled</b>	162:23	89:20 122:8	80:13	34:19 61:19
138:10,22	133:22	164:9	139:12	<b>executed</b>	<b>experts</b> 36:15
140:13,13	<b>equals</b>	170:24	175:5	37:23 40:7	<b>explain</b> 18:21
144:25	123:23	206:15	190:15	40:7 112:12	58:13 79:5
146:1,14	275:2	247:24	194:22	152:7,19	79:5 127:5
147:24	294:10	256:19	204:19	162:9	173:23
149:11,25	<b>equipment</b>	274:25	214:9 275:3	169:12	174:12
218:17	226:18	287:21	308:17,24	171:25	200:21
316:22,23	<b>equity</b> 111:15	290:6	309:2,3,3	206:22	256:18
<b>entity</b> 9:23	112:17,23	296:18	323:21	324:9	323:23
14:25 15:8	127:17,18	307:4	331:7 332:6	<b>execution</b>	<b>explanation</b>
17:10 26:1	128:6	315:20	<b>examination</b>	152:8	334:18
29:22 31:15	<b>Eric</b> 2:5 5:8	326:2	3:3 7:9	<b>executive</b>	<b>explored</b>
32:9,16,21	5:10 6:1	336:17	10:21	146:18	214:8
33:5 41:10	<b>error</b> 290:17	<b>Evans's</b>	346:20	<b>exhibits</b> 3:6	<b>extended</b>
41:18,21	290:18	56:22 151:7	<b>examined</b>	4:3 11:9,15	331:23
42:2 43:7,9	<b>escrow</b> 72:21	153:2 158:1	6:14	13:24 15:18	<b>extension</b>
43:11,12,17	73:23 288:4	159:21	<b>example</b> 27:8	15:24 16:6	332:13,14
43:17,21	288:6,17,20	160:21	34:14 72:9	17:18 114:9	332:18,21
44:1,3,13	289:11	245:24	133:25	<b>exist</b> 23:2,22	332:23
44:15,15	300:2	265:9,11	134:20	<b>exit</b> 235:22	<b>extort</b> 81:21
45:7,8,10	307:22,23	268:4 269:4	170:21	236:1	<b>extortion</b>
45:11,15,16	308:2,14,15	269:19	176:25	<b>exits</b> 73:4	81:12
46:13,14,17	313:8 315:1	296:19	179:2	<b>expect</b>	<b>extra</b> 55:18
46:17,18,20	315:12,14	300:5	187:12	213:19	319:15
46:23 47:6	315:17	301:16	188:9 192:2	<b>expense</b>	326:22
47:8 49:16	318:13	304:3,16	196:7	218:23	<b>eyes</b> 72:1
49:21,22,25	324:23,23	305:1	213:16,21	<b>expenses</b>	<b>eyesight</b>
50:6,10	326:3,17	319:24	213:22	136:13	219:21
56:7 64:21	327:10	320:10	226:8	137:1,6	
65:1,4,8,12	<b>ESQ</b> 2:4,5,15	335:16	231:25	146:17	<b>F</b>
65:19 66:20	<b>essence</b>	<b>evening</b>	308:8,14	187:6 189:3	<b>F</b> 153:17
67:1,10	323:15	328:20	309:10	189:5 215:1	<b>fabulous</b>
146:1	<b>established</b>	<b>event</b> 99:16	314:15	215:10	220:6
161:16,18	121:11	<b>events</b> 20:4,6	342:12	218:17,20	<b>facetious</b>
166:4	206:9	20:8 21:8	<b>examples</b>	268:12	262:1
168:10	<b>estate</b> 46:11	28:6	134:17	269:18	<b>facilitate</b>
205:1,4	162:17	<b>eventually</b>	<b>excellent</b>	270:17	257:10
297:7 303:9	309:5 310:5	71:21	334:16	282:3 316:9	<b>fact</b> 51:10
303:10,12	310:17,25	<b>everybody</b>	<b>Exchange</b> 1:1	323:16	69:22 72:2
<b>entries</b>	311:21	85:15	1:9 2:3,8	340:2	83:18 157:1
199:18	<b>et</b> 82:5	234:15	5:12 6:3,24	<b>experience</b>	163:21
210:23	<b>Evans</b> 32:2	236:8	347:12	34:23	165:21
231:22	38:25 41:17	<b>evidence</b>	<b>exchanged</b>	155:18,20	186:17
284:8	132:9 151:9	242:9 264:9	299:8,12	310:4	210:9,12
338:24	151:11	<b>ex-FBI</b> 90:1	<b>excited</b>	345:22	214:10
<b>equal</b> 116:3	157:5 158:5	<b>exact</b> 184:13	261:21	<b>expert</b> 12:1	233:16
148:8	159:9,16	215:15	344:25	14:8 17:23	240:18

241:18	133:20	133:21	<b>fifties</b> 263:13	37:12,15	52:8 68:2
269:24	138:11,18	135:11	<b>fifty</b> 70:18	71:12 90:16	70:1 79:4,8
272:10	138:20	136:19	72:5 73:6	149:15	313:21
276:17	139:1,5,9	137:9	73:20 74:18	<b>figure</b> 48:21	317:18
<b>facts</b> 7:2	139:12	138:23	75:11,15	67:11,11	330:3
<b>failure</b>	140:5,11,12	146:15	76:10,12	114:15	<b>find</b> 12:17
334:10	140:14,16	148:5	86:17	115:10,15	47:19 83:15
<b>fair</b> 214:24	140:17,20	150:24,25	132:20	145:13	86:13 92:12
215:8	141:3,16	188:9,15	133:3	250:23	100:11
303:10	142:8,10,19	196:14	164:16,17	251:4	198:16,18
<b>faith</b> 244:23	142:22,24	202:20	165:23	253:23	213:10
<b>fake</b> 266:24	143:1,9,11	219:12	177:3,3,5	255:3,19	214:8 268:6
302:12	143:13,18	272:22	179:8	274:10	273:12
329:24	143:19	280:14	185:21	305:14	281:19,20
<b>fall</b> 16:18	145:1,7,24	291:12,13	192:9,16	<b>figured</b> 94:9	281:25
<b>familiar</b>	146:2,4,10	295:15,16	213:23	148:2	331:5
290:3	146:20,21	295:20,21	228:20	261:24	338:21
<b>family</b> 28:23	147:25	311:22	235:18	321:22,23	345:6
84:3 134:1	148:10,11	317:25	238:3	322:2	<b>finder's</b> 70:8
264:20	148:13,19	337:22,23	255:21	<b>figures</b>	<b>finds</b> 334:16
278:15	150:1,21	337:24	260:9,10	277:21	<b>fine</b> 84:12
344:18	154:7	338:7	263:1,10,12	<b>figuring</b>	85:8 134:11
<b>far</b> 87:17	156:18	<b>feet</b> 48:13	264:22	272:20	165:19,20
174:2	176:23	91:2 221:7	268:9	<b>file</b> 1:4 30:6	261:13
201:13	187:13,19	222:21	301:17	135:4	281:12
309:18	187:23	224:12	311:14	228:17	288:11,12
315:17	196:16	258:22	320:8 321:9	284:25	288:14
<b>fashion</b> 50:12	202:4	263:3,15	321:12	347:5	326:11,11
237:10	203:10,18	278:14	325:2	<b>filed</b> 81:3,12	326:17
<b>favor</b> 287:11	204:4,13	344:17	336:22	310:1,6	327:15,18
293:4 295:7	228:23	<b>felt</b> 84:15	337:8,15	333:6	327:24
<b>FBI</b> 81:21	234:9,12	211:2	339:11	<b>files</b> 12:19,23	328:23
<b>February</b>	240:10	FF 226:17	340:11,14	12:24 13:3	329:16
11:7 14:15	252:16	<b>FF&amp;E</b>	340:15	17:24	330:12,17
246:20,20	271:19	195:19	342:2	179:16	331:6 333:8
332:2	308:9 312:6	196:8,10	<b>fifty-eight</b>	<b>filled</b> 22:1	<b>finer</b> 113:14
334:11	312:23	197:1	197:5 214:4	<b>final</b> 170:9	<b>fines</b> 330:13
343:24	328:7	<b>fifteen</b> 67:4	303:23	173:10	334:9
<b>federal</b> 7:1,4	336:16,25	101:20	306:2	329:9 330:9	<b>finish</b> 66:17
277:8 345:7	<b>feel</b> 18:25	102:15,19	<b>fifty-one</b>	330:10	90:17
345:12	317:11	103:21	321:8	<b>finally</b> 81:23	112:19
<b>fee</b> 48:23,25	<b>fees</b> 53:1	106:3,12,16	<b>fifty-three</b>	81:25	115:14
56:9,14,19	54:24 55:10	106:18	123:22	<b>financed</b>	119:20
70:8 116:18	116:23	107:14	192:25	101:3	120:10
116:19	118:15	121:4	<b>fifty-two</b>	<b>financial</b>	155:11
117:8 118:9	119:18	175:16	321:13	186:14	190:12
123:21,25	120:17	177:6 195:2	<b>fight</b> 90:10	<b>financials</b>	194:16,17
124:25	124:24	196:19	345:24	258:17	201:11
133:13,17	133:11,19	267:12	<b>fighting</b>	<b>financing</b>	214:23

274:5 275:5	247:13	<b>Focus</b> 12:15	<b>forty</b> 57:25	284:25	<b>frame</b> 35:17
328:5	248:1	<b>focused</b>	75:8 89:13	<b>Foundation</b>	94:23,24
329:15	249:21	253:19	120:5	28:23	130:22
341:24	250:12	<b>folks</b> 230:15	188:10,12	<b>Fountainbl...</b>	210:6
345:6 346:2	255:18	<b>follow</b> 18:22	188:14,15	100:21	<b>frames</b> 94:2
<b>finished</b>	268:25	31:14	223:7 228:8	<b>four</b> 15:4	<b>France</b> 22:18
71:15 96:1	280:11,12	272:17	233:22	22:22 49:7	<b>Frank</b> 25:22
96:2,4	285:19	278:19,20	235:23	92:13	25:23 38:3
194:8	286:6 290:4	283:9,24	272:3	110:12,12	47:6,7,12
199:22,24	305:12	316:14	<b>forty-five</b>	111:15,15	47:13,22
221:12,12	314:19	319:17	236:3	112:22,22	48:2,22
232:7	315:8 335:8	<b>following</b>	<b>forty-four</b>	112:23	49:1,14
<b>firm</b> 8:4 46:8	337:17	75:5 261:19	186:22	116:17,19	51:20,25
46:10 47:19	<b>fit</b> 281:21	274:19,20	197:4 221:6	117:2,8,14	54:3 77:14
86:24	<b>five-fixture</b>	<b>follows</b> 6:14	315:11	118:4,7	77:15 78:2
157:20	145:10	38:9 78:14	<b>forty-one</b>	120:2	78:7 79:3,7
296:21	154:12	<b>foolishly</b>	147:14	123:23	128:9,11,16
332:2	<b>five-year</b>	37:14	<b>forty-six</b>	124:5,5	144:19,20
<b>firm's</b> 8:1,1	222:24	<b>footage</b>	110:9	125:7,9	149:3
<b>first</b> 6:13	<b>fixtures</b>	224:11	114:17,19	127:3,3,12	181:13
14:25 42:25	226:18	<b>foreclosure</b>	114:20,24	127:12	184:20
43:2,3	<b>FL-03930-A</b>	48:15 64:22	115:3	135:7,10	185:18
48:12 59:7	1:4 347:5	90:12 167:8	117:11	164:19,20	186:6 196:3
64:19 65:10	<b>Flagler</b> 2:17	269:25	118:23,24	171:13	197:8,9,9
67:23 69:6	8:5	<b>forensic</b>	120:2	193:4,18,20	220:16
69:10 72:9	<b>Flagship</b>	217:12	123:18	196:24	222:13
72:10,12	25:10,17	<b>forgave</b> 92:1	147:14	198:17	225:6,7,7
77:2 80:17	<b>flip</b> 26:5 65:4	<b>forget</b> 20:25	<b>forty-three</b>	200:1,14,14	<b>Frank's</b>
87:4 105:10	192:22	22:19	283:12	200:23	25:20
105:18	<b>flipped</b> 49:5	292:22	<b>forty-two</b>	201:5,5	186:16
115:18	<b>flipping</b>	293:15,25	117:12	203:14	<b>freak</b> 83:10
122:13	193:2	317:15	119:19	214:21	<b>free</b> 18:25
132:25	<b>floor</b> 179:3	<b>forgive</b> 56:4	<b>forwarded</b>	227:10	<b>Freudian</b>
138:9 147:6	226:12	92:1,2	280:25	229:6,9	345:18
157:6,11,13	342:5	<b>forgiven</b> 92:4	281:3	265:10	<b>friend</b> 34:12
157:14	<b>Florida</b> 1:11	92:5	298:10	266:23	80:7 83:21
159:19	2:11,19 5:5	<b>forgot</b> 12:10	<b>forwarding</b>	272:2 294:6	83:24 90:15
171:25	48:8,14	84:5 297:1	38:4 125:14	294:7,7	94:16
181:3,6	82:7 166:14	<b>form</b> 7:12,16	<b>forwards</b>	313:22	157:12
184:1,3	166:20	43:11 51:24	105:11	314:4,24	164:14
191:8 196:5	297:3	210:21	<b>fought</b>	317:3	196:4
199:1 200:6	306:18,23	<b>formal</b> 7:6,7	311:13	329:13	199:11
208:13	328:16	335:10,13	332:25	333:9 336:1	263:9
211:2	347:7	<b>formation</b>	344:21	<b>fourteen</b>	281:10
216:16	<b>flow</b> 221:8	31:15	<b>found</b> 12:10	23:12 90:13	310:24
217:1	<b>flowed</b>	<b>formed</b> 32:10	48:7 87:1	120:1,6,13	<b>friendly</b>
219:19	245:21	32:16 43:6	88:5 92:11	120:14	64:22 83:20
230:1 244:1	<b>flows</b> 135:21	43:9 49:16	138:1 209:2	267:12,13	<b>friends</b> 83:9
246:4	<b>flying</b> 263:15	205:11,19	281:17	271:11	86:12 87:6

264:20,20	161:5 200:8	299:12,18	244:21	55:18	133:25
<b>froms</b> 150:11	255:1	301:4,23	245:17,21	<b>gentleman</b>	169:22
199:24	<b>fundraising</b>	303:25	245:23	76:6 316:11	188:22
203:5 308:5	28:5,6	304:2 305:5	246:10,19	329:22	189:18
308:11	<b>funds</b> 59:18	305:5,10,19	252:15	<b>gentlemen</b>	195:6 197:1
<b>front</b> 41:15	62:2,22	305:20,22	257:5	71:8	198:1
100:5	63:10,12,14	305:24	286:16	<b>Gerry</b> 30:16	219:22
155:24	64:3 74:20	306:4,20	290:6 293:3	31:24 32:7	276:5
170:21	97:14,21	307:21	296:15	34:24,25	281:25
171:21	98:6 101:6	308:1,21	297:23,24	36:24 38:5	292:6 293:2
172:12	102:3,4,8	318:1,9	298:10,11	38:10,12	293:7,11
217:22	103:18	324:22	303:25	40:2,12,14	301:1,9
218:12	131:20	326:16,17	315:10	41:5 43:7	332:23
238:15	140:10	<b>furniture</b>	320:19,23	43:19 44:17	335:12
239:2	150:19,21	96:3 226:18	321:2	89:9 91:22	342:12,17
287:14	153:6	<b>further</b> 81:11	<b>Galle's</b>	149:8 297:9	<b>given</b> 92:10
<b>frustrated</b>	157:25	188:20	159:20	<b>Gerry's</b>	118:8
328:11	158:1	<b>fussy</b> 159:8	242:13,24	32:11,15	122:25
<b>Ft</b> 54:8	159:19	<b>future</b> 245:8	244:22	38:18 89:10	249:12
<b>full</b> 6:16,18	160:2,5,12	<b>fuzzy</b> 21:3	304:2	<b>gestures</b>	299:25
7:25 79:6	160:20,25	<hr/>	<b>game</b> 92:18	19:15	300:1
139:20	161:17	<b>G</b>	<b>Ganesvort</b>	<b>getting</b> 23:13	332:21
149:11	162:23,24	<b>G</b> 5:1 168:14	54:11	37:19,21	<b>giving</b> 16:9
166:17	162:25	<b>G-A-N-E-S...</b>	<b>garage</b>	52:2 75:14	86:3 97:22
183:14	163:4,11,18	54:14	342:14	86:11 87:25	311:3
292:7	165:15	<b>Galdencio</b>	<b>gas</b> 51:16	88:2 94:12	317:18
<b>fully</b> 40:7	174:21	2:6 5:7	207:24	117:8 118:9	<b>glaring</b> 211:1
141:11	175:8,18	62:21 63:10	<b>GC</b> 174:15	120:19	<b>glass</b> 92:25
<b>fun</b> 328:20	177:15	63:15,19	176:22	139:10	<b>Glenn</b> 29:25
345:25	179:12	95:21 96:7	<b>Gemor</b> 87:2	155:8	30:11 41:11
<b>function</b>	184:7 185:9	96:12,15,22	<b>general</b> 20:14	158:18	42:8 48:15
325:13	200:17	97:1 231:13	84:25 86:10	236:19	48:20
329:11	201:13	231:17,21	130:22	254:12	145:14
<b>functions</b>	206:13,14	232:5,18,24	143:4,12	255:10	149:16
219:6	206:16	233:9,17	145:7	264:11	159:6,7
<b>fund</b> 87:16	234:16,18	245:11	146:14	317:11	167:7,7,8
97:10 99:2	239:12	308:21,25	154:6,8,16	320:21	167:12,12
99:22	241:8 243:1	309:4,21	168:7	329:1,16,20	167:15,16
202:16	244:25	310:1,4,16	187:11,17	335:6 346:6	167:23,23
247:18	247:1 258:8	311:10,19	201:23	<b>girl</b> 130:15	170:6,15
326:18	262:9,14,15	312:1	218:16	232:20	171:13
344:19	262:16	316:14,17	219:11	<b>girls</b> 208:7	179:25
<b>fundament...</b>	265:8,15	317:1,3	<b>generally</b>	<b>give</b> 8:17	181:24
151:22	268:1	321:5,12,18	29:7 134:18	70:7 71:11	182:16,22
<b>funded</b>	269:22	<b>Galle</b> 63:6	134:19	72:4 78:17	183:6 192:3
141:10	270:25	67:10	139:1	78:22 79:14	193:22
<b>funding</b> 89:7	271:2	159:24	152:11	84:6 89:21	198:18
93:19 99:18	278:10,11	242:12,12	254:12	89:22 92:17	199:14
99:23,25	279:2 283:8	244:12,19	<b>generated</b>	130:21	200:18

201:2 245:9	246:19	332:10	177:20	186:7,17	171:13
245:15	306:16	<b>grand</b> 79:14	188:17	189:12	191:12
246:7 286:7	320:18,23	84:1 85:23	193:1 203:2	196:20	193:18,19
286:16,24	<b>gold</b> 191:20	135:7,7,10	203:4 204:6	198:25	193:20,20
288:12	<b>golf</b> 28:18,19	204:12	205:17	199:15,22	200:23
290:12	222:7	223:7	206:16	222:12,25	203:15
292:23,23	<b>gonna</b> 121:21	231:11	211:18	228:3	207:13
293:6,7,10	345:6	232:1 238:4	259:17	229:25	329:23
293:16	<b>good</b> 8:3	263:10	261:12	230:11	<b>Hamad</b>
303:15	34:22 50:12	311:7	266:15	231:25	100:14
308:9	75:16 84:8	<b>great</b> 48:25	268:15	232:11,15	<b>hammer</b>
311:13	94:2,18	89:11 91:13	272:17	233:22	343:4
312:18	134:6	144:21	298:18	235:10	<b>hand</b> 6:7
313:9	154:24,25	155:3	300:24	247:9 265:2	85:16
315:16,25	155:1,2,19	219:22	302:1 303:7	271:14	155:23
316:2,8	165:21	220:2	306:14	286:13	167:14
318:11,13	179:2	229:13	308:5	289:5 301:9	223:21
318:15	199:15	287:16	311:16	340:10	225:16
322:9	213:22	308:8	320:21	345:23	263:11
324:13	216:11	344:25	<b>guessed</b>	<b>guy's</b> 228:11	293:16,25
327:19,23	220:6 224:5	<b>greed</b> 87:8	200:24	228:25	<b>Handler</b>
328:12,14	237:9,10,20	94:10	<b>guessing</b>	325:16	88:23 90:7
328:15,16	237:20	<b>Greg</b> 222:6,8	25:13	<b>guys</b> 83:4,5	268:9,19
328:17	242:1,1	<b>grew</b> 124:3	175:17	88:5 176:13	<b>hands</b> 85:14
331:19,22	244:23	<b>grey</b> 213:8	177:9,10,17	176:18	<b>handshake</b>
332:22	263:18,22	<b>gross</b> 236:16	177:21,25	177:23	84:2 110:23
333:5	292:5 305:9	<b>ground</b> 78:25	182:13	179:19	267:9
344:23	323:13	<b>group</b> 25:19	204:11,20	229:11	<b>handwriting</b>
<b>Glenn's</b>	334:15	47:3 186:4	215:15	234:5	115:18,20
167:23	343:19	204:23	227:8	274:12	115:21
170:5	344:3	305:12	339:19	277:7	116:5,8
293:16	346:10	<b>grown</b>	<b>guide</b> 29:10	317:10	238:15,19
315:24	<b>Gorman</b>	122:20	<b>gun</b> 89:16,17	323:13	238:19,20
<b>GM</b> 144:19	68:11,12,16	<b>guaranteed</b>	89:18	324:5 345:7	238:22
145:8 155:1	68:24 69:15	90:23 303:5	<b>guy</b> 47:15	345:12,14	251:1 252:8
<b>GMP</b> 172:17	69:19 70:14	344:15	53:25 66:8	345:15,18	252:25
<b>God</b> 84:15	70:18 72:20	<b>guards</b> 38:23	68:4,8		253:11,12
90:17 155:6	74:2,13	<b>guess</b> 13:14	78:15 84:3	<b>H</b>	253:14
311:13	75:6,19	23:4 44:2	84:17 85:25	<b>H</b> 310:22,23	254:3,4,9
340:23	76:20 77:9	51:24 60:14	88:11 94:14	310:24	254:14,15
<b>God's</b> 91:16	77:18 81:2	60:16 80:14	100:13	311:8	254:16,20
<b>GoDaddy</b>	82:4,13	87:8 94:7	110:23	<b>hacked</b> 88:6	285:18,21
213:25	<b>gosh</b> 57:4	95:18	144:21,22	88:6,10,12	339:5,6
<b>goes</b> 38:22	<b>gotcha</b> 103:4	124:21	149:16,20	<b>half</b> 47:25	340:24,25
59:12 97:22	127:10	129:19	155:23	56:10 76:9	341:3
142:18	314:9	143:11	156:23	92:13	<b>handwritin...</b>
201:5	<b>gotten</b> 39:6	147:8,22	165:21	115:24	115:19
233:19	238:2	148:4 175:6	176:14	153:14	<b>handwritten</b>
245:22	<b>Governor</b>	175:23,23	184:19	155:5	4:6 281:15

281:17	<b>Haven</b> 166:2	79:4,7 82:5	264:21	180:16	<b>hotel's</b>
284:24	168:6	88:24 94:15	<b>HG</b> 311:5	316:4 325:2	306:15
<b>handy</b> 256:1	173:16	94:22 106:5	<b>hide</b> 278:6	343:3	307:13
<b>happen</b> 85:25	174:16	123:17	<b>HIG</b> 25:20	<b>holdbacks</b>	<b>hotels</b> 222:19
97:15 98:23	175:9	145:9 146:9	76:21 77:16	288:9	236:2
103:14	225:25	149:18	149:1	289:17	<b>hound</b> 75:6
155:14	306:19	156:21	<b>high</b> 144:23	<b>holding</b> 45:8	<b>hour</b> 90:8
223:11	<b>hazarding</b>	179:18	185:18	76:2 85:14	153:14
258:20	268:15	184:23	188:16	85:16	176:21
317:23	<b>hazy</b> 36:13	190:18	<b>higher</b>	258:16	177:3,5
<b>happened</b>	<b>HB</b> 231:25	212:2	267:11	259:10	207:12
20:3,3	236:12	219:14	322:15	<b>Holdings</b>	<b>hours</b> 155:7
30:11 31:16	<b>HBS</b> 220:14	221:23	<b>highlighting</b>	24:13 42:12	<b>House's</b>
85:3,5 87:9	<b>he'll</b> 219:23	235:9,11	249:16	44:11,19	137:8 286:7
93:18 97:12	234:1,1,2	237:7,21	<b>Hilton</b> 54:8	45:4,11,14	<b>housekeeper</b>
99:3 106:19	<b>head</b> 124:16	253:16	<b>hire</b> 85:20	<b>holds</b> 89:17	229:24
108:10	139:3 178:3	264:21,23	130:17	<b>home</b> 13:3	230:8
170:13	204:20,21	273:23	146:18	51:17 229:3	231:10
241:23	209:24	285:25	191:15,17	229:4 235:7	<b>housing</b>
249:17	231:8,9	289:20	191:18,23	337:25	231:18
279:5	233:6 260:9	313:12	211:18,19	<b>honestly</b>	<b>huge</b> 61:20
286:23	317:12	317:14	214:10	196:17	237:2 247:6
292:21	<b>headers</b>	324:18	<b>hired</b> 11:25	307:14	278:16
296:7	187:11	345:7,15,18	47:15 86:24	<b>Hong</b> 101:13	<b>hugely</b>
318:12,25	<b>health</b> 144:23	<b>helped</b> 47:18	120:20	102:12,13	237:21
323:5	146:16	47:20 50:11	121:1	266:5,8	<b>humble</b>
324:24	<b>heard</b> 25:17	52:3 84:16	128:17	271:7	91:18
326:14,19	<b>hearing</b> 1:14	145:13,16	129:10	329:23	<b>humbling</b>
332:6,7,9	347:15	149:17	131:3	<b>honor</b> 116:6	91:17
332:16,18	<b>heart</b> 99:23	228:4	146:12	<b>honoring</b>	<b>Humming...</b>
<b>happening</b>	110:22	233:21,24	148:23	116:6,7,11	77:19 78:25
97:16	<b>Hedrick</b>	271:22	199:22	<b>hope</b> 86:12	<b>hundreds</b>
282:25	177:1,4	297:2	210:5 216:8	289:6 344:8	137:7
<b>happens</b>	<b>held</b> 12:23	<b>helpful</b> 17:11	220:16	<b>hopefully</b>	<b>hurt</b> 48:22
191:16,24	158:4	<b>helping</b> 14:10	221:20	29:12	59:2 81:14
<b>harassment</b>	206:15	134:4	222:5	195:17	91:24
71:10	300:2	149:20	232:20	230:18	178:10
<b>hard</b> 62:6	307:22	219:5	271:25	<b>hopes</b> 28:24	265:22
101:2	325:4	<b>helps</b> 95:20	272:1	<b>hoping</b> 182:1	293:18
229:15	347:12	195:7 217:3	<b>hiring</b> 128:9	<b>Hopkins</b> 2:16	<b>Hyatt</b> 48:7
317:9	<b>hell</b> 330:1	283:23	144:20		<b>I</b>
329:16	<b>help</b> 22:4	<b>Henry</b> 88:22	<b>history</b> 26:17	<b>IberiaBank</b>	
344:24	24:16 34:7	90:7	174:7	51:15	
<b>hardware</b>	34:13,21	<b>hey</b> 75:16	<b>hold</b> 26:18	<b>IBM</b> 88:20	
36:16	35:3 38:21	83:14	38:20 49:16	<b>idea</b> 15:5	
<b>Hartford</b>	42:14 49:15	119:16	58:18,18	38:17 73:1	
65:10	50:21 53:7	151:24	74:20 118:3	75:24 87:15	
<b>hate</b> 91:25	53:25 70:1	179:17,18	159:15	88:25 89:25	
92:4 156:8	70:4,5 75:2	246:11	167:16		

97:1 101:16	<b>improveme...</b>	221:22	<b>intangible</b>	278:22	305:10
132:16	202:14	318:1	291:13	286:8	<b>investors</b>
142:25	<b>inches</b> 226:15	<b>individuals'</b>	295:19	290:13	25:19 47:3
143:3 144:2	<b>incident</b>	219:20	<b>integral</b>	<b>interested</b>	58:3,4
148:7	38:22	<b>info</b> 280:7	214:6	96:21	111:21
150:15	<b>include</b>	<b>inform</b> 19:20	235:14	<b>interesting</b>	302:17,19
154:25	198:17	<b>information</b>	<b>intended</b>	158:7	305:12,12
224:23	<b>included</b>	7:12 9:20	59:17	<b>internally</b>	305:13
229:19	22:21 173:9	129:12	246:22	234:22	<b>inviting</b>
247:3	176:6	130:7 140:2	<b>intent</b> 146:10	<b>International</b>	346:6
261:11	193:23	188:5	146:19,20	28:19	<b>invoice</b> 101:7
288:22,22	277:23	255:16	311:9	<b>Internet</b> 45:4	<b>involved</b> 8:20
309:25	<b>includes</b> 26:8	280:11,19	<b>intention</b>	213:17,21	9:1 12:4
312:18	<b>including</b>	<b>Inga</b> 93:20	16:25	213:23	14:9 28:7
336:18	181:7 227:5	220:5	<b>interact</b>	<b>interpret</b>	134:3
341:4	<b>inclusion</b>	<b>initial</b> 126:19	82:20	191:6	<b>ironically</b>
<b>identificati...</b>	128:22	261:17	<b>interest</b> 8:22	<b>interview</b>	217:15
10:20 11:12	129:16	262:11	9:5 25:1,2	264:3	<b>irony</b> 90:4
14:19 15:21	<b>incomplete</b>	291:4	30:1,13,17	<b>interviewed</b>	<b>issue</b> 326:8
21:18 29:15	20:18	<b>initially</b>	32:8,11,12	145:8	330:17
42:21 69:2	<b>incorrect</b>	147:23	32:15,21,24	<b>introduce</b>	335:9
74:5 76:23	319:3	291:6	32:25 33:6	80:25	<b>issues</b> 9:4,14
79:25 81:6	<b>increase</b>	331:17	33:16 35:1	134:15	82:23,24
125:17	274:17	<b>Ink</b> 268:20	35:6 36:2	<b>introduced</b>	83:2,11,11
168:18	<b>independent</b>	<b>insane</b>	37:14,22	52:10 68:10	101:14
180:12	131:18	301:10	42:7 49:4,8	68:16 70:11	126:7,18
197:18	<b>India</b> 241:13	<b>inside</b> 96:12	50:23 65:23	243:6	148:21
248:6	247:7	<b>insisted</b>	66:6 89:22	303:20	154:11
279:18	271:13,22	151:14	106:22,23	<b>introducing</b>	265:22
282:20	272:1,2	<b>institute</b>	106:23	168:21	<b>it'd</b> 277:24
285:6	<b>Indian</b>	91:10,11	107:6	241:22	<b>it'll</b> 17:6
<b>IDENTIFI...</b>	100:13	<b>instruct</b>	110:10	<b>investigate</b>	100:5 295:9
3:6 4:3	184:19	39:16	111:4,8,15	210:12	295:11
<b>identify</b> 7:25	<b>indirectly</b>	<b>instructions</b>	112:17,23	<b>investigated</b>	331:4
<b>identifying</b>	24:10 104:5	25:12	117:6,10,15	210:10	338:18
214:25	104:13	<b>insulate</b>	117:19	<b>investigation</b>	<b>item</b> 140:5
<b>image</b> 60:14	<b>individual</b>	149:4	118:8,12,12	6:23 7:3,7,8	143:9,10
<b>imagine</b>	16:11,13,18	<b>insulting</b>	119:17	8:21 9:2	146:3,23
114:22	16:22 17:9	170:16	123:13	18:15	155:13
187:25	60:10	<b>insurance</b>	124:5 126:4	343:22	178:21,25
199:11	100:17	144:23	126:5 127:9	<b>investment</b>	179:5
248:13	174:18	239:21	127:10,11	60:24 61:7	<b>items</b> 132:13
301:8 305:4	221:7	240:11,13	127:19,20	<b>investments</b>	138:18
331:15	<b>individually</b>	240:16	128:5 149:9	47:9 59:20	140:9
<b>immediately</b>	135:22	267:1,2,3	149:10	205:25	145:22,23
134:14	<b>individuals</b>	282:15	150:19	<b>investor</b> 63:6	147:18
161:4	59:22	283:2,6,15	168:9	185:18	148:2
<b>important</b>	130:10	<b>insured</b>	182:14	271:2	156:10,14
221:2	204:6	239:23	202:9	<b>investor's</b>	308:11

323:20	117:25	172:12	<b>joined</b> 223:4	<b>keeping</b> 49:4	108:16
341:2	122:8,10	173:1	223:9	126:23	146:15
<b>Ivory</b> 2:7 5:7	130:14,17	246:20	<b>joining</b> 5:10	134:23	165:13
22:21 23:4	131:13,20	346:18	<b>joke</b> 261:23	223:12	258:21
23:10 24:2	132:7 136:4	347:6	261:25	233:10	264:1
26:4,12,25	136:5,9	<b>jealous</b> 85:12	<b>Joseph</b> 42:18	263:3,4	323:23
27:7,15,22	137:19	<b>jealousy</b> 87:8	43:16 44:6	327:1	<b>kinds</b> 35:15
28:8,17,20	151:16,19	94:10	44:7,10	<b>keeps</b> 72:18	189:14
29:3 103:23	151:19,22	<b>Jeff</b> 68:7,8	82:8	<b>kept</b> 60:12	223:18
104:3,8,21	151:24	105:12	<b>JP</b> 91:1	71:9 179:8	<b>knew</b> 34:19
184:15	152:7,22	<b>Jet</b> 268:20	<b>Jr</b> 67:18	211:25	50:18 61:18
186:13,19	153:6	<b>jiggies</b>	<b>July</b> 262:10	228:7	63:6 83:18
187:1,6,21	160:15,19	191:21	262:12	230:16,17	87:20 89:10
187:24	163:1	<b>job</b> 34:22	282:14	230:18,22	99:11,14
188:3,11	187:10	85:12 86:9	291:8	232:2,16,23	129:19
194:5,24	188:4 197:9	86:19,22	295:11	233:12,13	143:21
195:4,6,11	197:10	115:16	331:21	245:18	154:14
195:25	206:18,19	154:17	<b>June</b> 115:9	252:16	167:4,12,13
196:10	209:14	176:16,22	118:18	277:16,20	184:22
197:2,12	211:6,18	177:18,23	119:14,15	<b>Kevin</b> 116:25	185:18
209:20	212:18,21	178:1 191:9	258:20	120:20,21	199:15
210:2,13,21	212:25	191:12	<b>Justin</b> 217:5	120:22,23	200:23
211:17,23	218:21	220:2,6	217:15,16	120:24	202:22
212:4,10,17	219:4,8	224:5	<b>K</b>	121:1,1	229:14
213:12	224:24	263:16		123:22	231:9
214:9,15,24	225:10,13	344:25	<b>K</b> 252:15,16	172:17	241:11,12
215:5,8,17	225:22,24	<b>jobs</b> 115:5	<b>karma</b> 70:4	219:19	241:13
216:3	226:1,2	<b>Joe's</b> 61:23	<b>keep</b> 38:7	221:15,19	248:19
218:14,19	227:5,6	73:10 88:23	78:16 81:23	221:20	266:17,18
219:3,9,18	230:21,22	90:4,8	99:21	<b>Kevin's</b>	267:25
219:24	250:10	94:12	110:10		272:5,6,7,8
220:7,13,18	263:19	116:18,19	126:13		304:19,22
221:14,21	265:7 273:7	119:18	132:15		331:2 332:5
221:25	298:8,11	123:21,25	149:5 159:3	<b>key</b> 235:16	333:12
222:3 223:2	334:14,15	124:24,25	171:12		340:6
224:7 234:7	334:25	148:19	184:12	<b>keys</b> 156:5,6	<b>knowing</b>
312:21	335:4	151:12	188:19		149:18
323:14,21	<b>Jade's</b> 137:12	159:1	193:1,2	202:6	257:1
<b>J</b>	137:14	256:21,24	245:17	<b>kid</b> 34:20	327:19
<b>J2:6</b>	210:8	272:22	252:22	223:1	<b>knowingly</b>
<b>Jack</b> 272:9	214:11	305:5	254:2	<b>kidding</b>	337:10
<b>jacked</b>	<b>jail</b> 87:19	307:12	258:22	188:24	<b>knowledge</b>
267:11	<b>January</b> 1:12	<b>joedirect</b>	264:24	263:24	16:18 22:8
<b>Jackson</b>	5:3 23:6	125:13	275:6	<b>kids</b> 66:2	296:20
266:3	93:6 113:25	<b>jog</b> 42:25	287:18	<b>killed</b> 86:12	339:24
<b>Jade</b> 77:2,15	147:7	100:5	295:7	330:3	<b>knows</b> 90:8
79:19 114:9	153:20	168:22	325:14	<b>kind</b> 27:20	103:8
116:20	169:13	<b>John</b> 100:7	339:20	31:14 51:16	147:20
	171:23	<b>join</b> 237:22	346:3	70:7 94:23	185:5

266:13	<b>land's</b> 58:24	159:7 210:5	123:23	249:4 257:2	319:24
<b>Kong</b> 101:13	<b>lapse</b> 174:4,5	216:8	158:15,21	263:10	320:10
102:12,13	<b>lapsed</b>	244:22	184:12	338:8 339:9	324:25
266:6,8	174:10	272:12,13	191:8	<b>Les</b> 38:25	326:2,8
271:7	<b>larger</b> 122:12	293:3	192:18	41:22 42:2	335:16
329:24	290:18	<b>lawyer's</b> 51:4	214:5	56:21	336:17,25
<b>Krista</b> 89:11	<b>Las</b> 100:20	72:20 297:1	218:16	131:25	336:25
89:12,13	<b>Lastly</b> 40:1	<b>lawyer/client</b>	221:10	132:9,9	339:20,22
<hr/>	<b>late</b> 263:21	13:15,17	252:9,25	151:6,9,11	340:4,6,10
<b>L</b>	298:18,18	<b>lawyers</b>	253:1 254:3	151:11,14	341:1
<b>L-E-U-E-N...</b>	303:16	134:9,12	272:23	153:2 158:1	<b>Les's</b> 63:21
144:17	308:16	199:22	274:17,17	158:10,12	63:22
<b>label</b> 188:22	<b>lately</b> 91:18	210:10,12	313:21	158:14,17	254:17,20
339:2	<b>Laudano</b>	277:9 279:6	315:24	158:19,19	296:12,15
<b>labeled</b>	38:4 166:1	297:4,4	<b>left-hand</b>	158:19,20	296:17,20
188:22	175:9	<b>lay</b> 139:20	217:1 294:5	159:9,16,21	309:7
190:2,19	176:10	149:18	<b>legal</b> 35:2	160:3,14,21	310:24
197:15	270:3	<b>layman's</b>	50:8 79:15	161:6	338:10
238:16	<b>Laudano's</b>	193:12	203:20	162:23	<b>LESEVAN...</b>
252:6 253:9	175:25	<b>layout</b> 149:17	280:14	163:13,18	339:3
254:8 268:2	204:24	<b>layouts</b> 62:15	309:22,24	164:9,14	<b>Leslie</b> 32:2
280:4	224:21	223:20,25	<b>legally</b> 30:24	165:23	41:17 157:5
289:25	<b>Lauderdale</b>	224:11	30:25 31:9	170:24	158:5
340:21	54:8	<b>Le</b> 52:10,11	41:24 50:1	206:13,15	247:24
<b>labels</b> 171:9	<b>laughed</b>	<b>learn</b> 330:16	57:9 66:13	206:20	<b>let's</b> 5:14
<b>labor</b> 176:19	87:20,21	330:22	332:24	245:24	10:6 34:18
<b>laborer</b>	<b>law</b> 157:19	<b>learned</b>	<b>legitimate</b>	248:13	40:19,22
176:20	296:21	147:23	134:22	250:10	67:15 72:8
177:5	297:3	165:4	<b>lend</b> 53:10,17	255:15	72:9 86:4
<b>laborers</b>	332:10	267:19	70:24 77:9	258:9,9,14	93:3 94:23
177:4	<b>Lawrence</b>	333:2	148:20	259:10	107:19
<b>lack</b> 254:25	220:7,10	<b>lease</b> 78:25	239:19	261:17	109:19
<b>ladies</b> 176:13	<b>laws</b> 7:2,4	266:24,25	258:21	265:8,11	113:19,22
<b>Lake</b> 79:2	<b>lawsuit</b>	267:1	270:5 271:6	268:4,7,8	122:3,7
104:17	332:24	302:12	271:11	268:10	124:7 135:6
<b>land</b> 25:5	333:2,3	<b>leave</b> 81:25	283:4	269:4,19	153:14
57:6,15,18	335:7 345:8	151:25	<b>lender</b> 91:13	274:25	155:6
57:20,22	<b>lawsuits</b>	167:23	<b>lending</b>	286:16	170:16
58:23 59:3	78:18	192:4 286:2	262:23	287:21	174:23
59:7,25	102:14	<b>leaving</b> 123:6	263:1	288:4,17	176:11
61:4 62:4,8	149:4	140:21	270:14	290:6	177:11
62:12 65:13	169:16	<b>ledger</b> 187:11	271:7	293:18	178:24
81:13,14	172:3	218:17	278:13	296:18,19	179:4,19
139:20	198:22	219:12	<b>lent</b> 53:6,23	297:3 300:4	185:5
182:12	<b>lawyer</b> 10:5	<b>left</b> 89:8	63:8 75:1,7	301:16	188:19
184:23	11:25 15:6	115:11,13	77:14 142:1	304:3,7,16	192:11
185:3	72:18 88:22	115:16	150:23	304:25	198:12
220:10	88:23 90:25	120:7,8	158:19,20	307:4	228:7
239:15	113:17	121:24	164:14	315:20	249:18,24

250:12	<b>lien</b> 200:13	292:14,16	45:18,24	162:2,10,12	91:25
252:5,22	308:17	292:17,19	47:4 57:4,5	185:6,8,10	101:24
254:2,13	325:3	319:25	57:6,8,11	185:22	195:2 229:5
255:20,25	<b>liens</b> 67:13	<b>listed</b> 13:6	60:4,17,17	196:19	229:17
256:5 263:5	288:14	41:17	63:8 64:25	233:3	235:13
268:22	317:25	145:25	65:5 66:23	234:25	<b>look</b> 11:20
269:16	<b>lieu</b> 64:23	187:17	66:23 67:4	244:16,18	22:14 23:19
273:5,21,22	<b>life</b> 90:16	221:15	67:8 89:23	245:1,1	24:23 26:5
274:24	91:14	310:22	106:25	252:1 263:6	43:23 44:23
280:12	325:16	341:3	135:23,24	263:8 264:9	48:16 50:13
286:2	328:1,2	<b>listen</b> 126:9	145:25	268:25	51:9 52:6
289:22	345:3 346:4	225:18	149:1,7,8	269:17,25	58:22 70:15
309:10	<b>lifeline</b> 83:24	<b>literally</b>	161:9,12,13	270:15	72:9 77:2
313:13	<b>lifestyle</b>	81:19 90:9	166:3 170:6	274:14	78:5,8 80:3
317:13	265:22	217:14	175:4,4	277:16	86:12 96:5
320:17	<b>lights</b> 191:20	<b>litigious</b>	193:17	280:2,2	96:11
340:20	<b>liked</b> 265:1	328:16	287:23	284:5 302:2	100:22
<b>letter</b> 278:15	287:4	<b>little</b> 5:8 15:4	297:8	302:5,16,22	105:17
334:14,17	<b>likes</b> 237:12	95:22	303:13	303:1,2,6,7	106:6
334:19,20	<b>limit</b> 28:1	136:10	336:23	303:14	114:22
335:4,10,13	<b>limited</b> 25:6	155:22	337:9,25	304:21	122:3,7
335:13	38:9 239:18	202:15	347:3	306:22	129:1 143:8
<b>letters</b> 62:13	<b>line</b> 43:24	236:18	<b>LLC's</b> 160:9	309:13	143:23
<b>Leuenberger</b>	138:17	292:13	<b>LLCs</b> 23:1,15	320:13	147:4,7,10
144:16	140:5,8	319:7	135:20	336:14,20	169:14
<b>Leuenberg...</b>	143:9,10	342:15	204:24	336:24	182:17
146:5 154:2	145:21	<b>live</b> 346:4	206:1	337:6 338:8	183:13
<b>level</b> 223:13	146:3,23	<b>lives</b> 89:14	<b>LLLP</b> 10:1	<b>loaned</b> 70:17	184:15
264:1	148:2 156:9	<b>living</b> 83:5	67:16 82:22	234:19	188:3
<b>levels</b> 59:8	156:14	<b>LLC</b> 1:5 2:16	106:24	240:19	189:19,21
<b>liabilities</b>	178:21	6:25 8:4,16	126:4,5	241:10	195:7,17,22
43:18 44:16	183:3,10	9:23 15:1	<b>loan</b> 12:13	282:16	198:12
<b>liability</b> 60:8	192:22	15:17 16:1	53:20 64:3	<b>loans</b> 150:23	205:18
60:10 91:13	323:20	17:4 24:7,7	70:20,22,23	151:2	208:20
<b>LIBOR</b>	<b>lined</b> 35:12	24:11,12,13	71:2,6,20	269:14	211:9
107:3	35:13 36:14	24:22 25:3	74:21,24	278:4 307:4	213:10,18
110:15	36:15	25:5,6,6,25	75:3,16,17	<b>locally</b>	219:10,18
<b>license</b> 22:15	134:23	25:25 29:7	76:15,20	166:20	220:21
27:10	303:2	29:7,9,22	77:18 78:22	<b>located</b> 5:4	222:18,20
173:17,22	<b>lines</b> 211:5	30:1,2,13	90:24	8:5 64:8,11	229:19
174:3,7,15	240:4	30:14,17	106:24	216:5	240:4
174:15,18	<b>link</b> 44:11	31:12 32:8	107:19,22	<b>Location</b>	245:20
178:1	45:3	33:6,22	108:4,5,7,8	347:7	249:18
<b>licenses</b> 26:17	<b>list</b> 9:21	40:11 42:7	108:9,19	<b>logical</b> 51:10	255:18
27:4	22:24 23:16	42:10,12	109:14,18	259:8	256:18
<b>licensing</b>	24:8,15,24	43:16,18	111:20	<b>London</b>	257:13
173:25	28:12	44:11,15,16	123:14	86:24 134:1	262:8 267:5
<b>lie</b> 199:10	143:24	44:18,19	125:3	155:3	268:22
234:2	292:11,12	45:4,9,16	127:19	<b>long</b> 57:4	269:16

270:17	143:5 169:9	327:3	<b>lowest</b> 176:18	<b>management</b>	72:23 73:17
273:5,14,20	169:20	<b>Loser</b> 50:14	<b>Lucerne</b> 79:2	35:5 126:1	73:22 74:1
273:22	171:3	50:15 54:9	<b>lucky</b> 141:21	129:16	76:18 79:18
274:24	180:15	<b>losing</b> 50:19	<b>lumped</b>	138:11,20	82:23 83:6
279:21	181:2	269:25	187:25	138:20	83:14,14
280:12	185:23	<b>lost</b> 14:5,6,7	<b>lunch</b> 130:12	140:11	84:16,17,19
281:24	253:25	18:10 33:25	134:14	143:11	87:10 88:7
282:24	272:20	90:21 91:19	151:18	145:1 146:4	88:9,9
283:19	273:25	167:6 206:7	<b>luncheon</b>	146:6,20	101:1,13,20
284:7	290:8	241:2	153:15	154:21	102:20
289:21,22	303:21	263:13	<b>lung</b> 229:13	156:13	103:17
289:23	326:10	311:14	<b>Luxury</b> 223:2	<b>manager</b>	113:16
294:4	335:15	319:14		41:18	125:8,12
297:18	<b>looks</b> 43:5	323:25	<b>M</b>	142:22	163:20
298:2,24	44:9 45:1	327:3	<b>M</b> 63:7	144:19,24	180:7
303:20	70:16 74:17	344:19	103:23	145:7	197:14
310:20	80:6 100:18	345:4	261:19,20	146:14	243:12
320:15	105:14	<b>lot</b> 27:23	<b>M-A-C-I-E...</b>	148:10	247:22
328:14	115:19	28:24 34:22	230:10	154:6,8,16	261:15,18
331:20	122:10,20	50:11,19	<b>M-A-T-T...</b>	217:17	267:17
335:19,20	125:21	52:12,12		<b>managing</b>	270:1,2,5
336:11	127:1	54:7,10,15	<b>Maciel</b> 230:9	31:11,25	271:20,21
340:20	181:15	83:23 85:24	230:9	32:3,14	276:23
<b>looked</b> 12:7	182:6 183:9	95:15 99:10	<b>mad</b> 280:8	33:11 34:5	279:12
13:1,2	184:16	100:11	<b>Madona</b> 63:8	34:9 39:1,1	282:13
17:24 22:15	185:2,9	110:7,17	<b>magazine</b>	41:18	285:1
41:14 48:17	188:4,20	128:8 156:5	237:8	121:12	345:13,16
62:19 77:20	196:18	179:14	<b>magnitude</b>	154:3	345:17
85:17 93:14	208:17	237:19	312:7	184:10	<b>Mark's</b>
100:20,21	209:5	263:8,21	<b>maintain</b>	<b>manufactu...</b>	102:24
114:23	216:22	265:22	209:14	65:13	<b>marked</b> 7:13
144:4	217:22	270:10	<b>maintained</b>	<b>Mar-a-Lago</b>	10:20,25
148:24	238:10,24	<b>lots</b> 35:1 52:9	187:10	28:14	11:11,15
198:13	238:25	287:14	230:20,21	<b>marble</b>	14:19,22
217:23	239:8 240:5	<b>Lourdes</b>	<b>majority</b>	155:12	15:20,24
222:22	257:10	230:7,9	36:2 89:5	<b>March</b>	21:18,21
250:11	262:10	<b>love</b> 281:25	<b>making</b> 36:9	101:19	24:21 29:15
253:22	280:17	<b>loved</b> 85:21	36:12	102:7 255:5	29:18 42:21
254:14	283:8,23	270:9	132:18	<b>Marcus</b> 71:7	42:24 69:2
255:2	297:16	<b>loves</b> 328:17	133:24	82:9 100:7	69:5 74:5
272:19,23	300:22	328:21	178:24	111:25	74:10 76:23
293:6	302:4	<b>low</b> 131:23	180:2 197:8	112:8 247:7	77:1 79:25
305:18	303:21	139:9	228:8 272:1	<b>margin</b> 176:2	80:2 81:6,9
318:12,23	307:5	287:15	309:10	<b>mark</b> 10:16	100:4 101:4
<b>looking</b> 23:12	324:15	<b>lower</b> 292:24	312:9,10	11:6 14:15	104:24
50:13 54:9	331:21	323:10	314:15	15:15 21:14	114:7
61:5 62:25	336:1,10	325:14	319:25	29:5 42:14	125:17,19
79:9 86:9	<b>lose</b> 90:12	<b>lowering</b>	346:7	68:3,17,21	168:18,20
99:3 124:4	326:25	313:10	<b>man</b> 333:10	70:15 72:10	180:12,14

197:18,20	40:3,13,25	166:9,11,19	78:10 80:15	214:1	190:20
208:14	42:11,17,23	<b>member</b> 5:21	100:5 131:9	<b>Miami</b> 1:11	281:11
216:20	44:11,19	10:12 19:5	168:22	2:11 5:4,5	<b>minutes</b>
238:6 248:6	45:4,7,10	27:17,19	193:19	96:5 173:21	89:13
248:8	45:13 46:7	31:11,25	212:1	347:7	<b>Mirabia</b>
256:17	46:15 68:23	32:3,14,25	215:13	<b>Michael</b>	24:12 57:2
261:15	68:25 69:4	33:11 34:6	221:17	223:19	57:3 60:23
265:6 267:6	71:6,20	34:10 39:1	229:14	266:3	66:22,23
279:18,20	74:3,11	39:2 121:12	252:23	<b>might've</b>	67:2 262:24
282:20,22	76:25 79:19	184:10	257:14	77:13 135:8	269:5
285:6,9	80:3 81:3,8	<b>members</b>	287:20	165:1 170:6	<b>Miranda</b>
287:17	82:5 93:8	5:11 6:2	292:13	177:5 225:7	57:3 181:13
298:8	114:2	40:11 41:1	<b>mental</b> 18:13	230:2	186:13
334:12	124:13	93:9 114:3	<b>mentioned</b>	242:14	188:4 195:1
338:23	149:8,9	153:23	32:6 65:16	286:17	195:12,20
<b>match</b> 176:17	153:22	180:24	138:9	<b>mind</b> 41:23	222:10
<b>matches</b>	180:23	235:4	212:23	41:25 42:1	224:25
187:7	185:25	237:22	<b>mess</b> 58:16	72:5 79:8	<b>mirandam...</b>
<b>math</b> 250:24	243:13	250:6	248:25	94:12,13	214:2
320:5	256:11	256:12	<b>message</b>	105:1 111:1	<b>missed</b>
<b>matter</b> 1:3,14	258:23	332:20	334:16	118:11	280:14
5:22 6:24	262:24	334:5	<b>messages</b>	136:12	<b>mission</b>
7:22 18:19	268:25	<b>membership</b>	81:19	139:13	91:24
61:17 93:11	269:4,18,22	28:10 30:13	<b>messes</b>	147:20	<b>misspoke</b>
347:3	283:12,25	30:17 32:7	248:24	148:19	316:18
<b>mattered</b>	298:9 334:4	33:6 37:13	330:1	149:22	<b>mistaken</b>
162:18	336:15	37:22 66:11	<b>met</b> 34:6,11	156:16	125:23
<b>matters</b>	343:20	126:20	48:8 49:14	161:25	<b>mock</b> 93:20
286:20	347:4	150:19	52:8 68:3	162:16	96:10
<b>Matthew</b>	<b>Max</b> 168:14	182:14	83:4 85:20	217:3	<b>model</b> 86:23
10:13	<b>Mayor</b> 68:9	286:8	100:22	239:18	94:23 95:9
215:21,22	<b>McDonald</b>	290:12	157:11	247:8,19	95:22,23,25
215:23	2:16 8:4	<b>membershi...</b>	159:11	259:4,7	95:25 96:5
<b>Matthew's</b>	<b>meaning</b>	28:4 235:17	160:6	277:14,24	96:6 237:12
9:11	303:11	235:19	166:20,21	281:20	<b>model's</b>
<b>Matthews</b>	<b>means</b> 91:4	236:15	222:13	289:16	94:18
1:7 3:4 5:19	114:25	<b>memo</b> 336:14	277:7	309:8	<b>modify</b> 19:19
5:24 6:10	135:16	<b>Memorand...</b>	<b>Metropolis</b>	<b>mind-set</b>	<b>Moens</b> 220:7
6:12,17	339:17	82:2	34:12	324:19	<b>mom</b> 85:9,13
7:14,21 8:9	<b>meant</b> 120:12	<b>memorializes</b>	<b>Mia</b> 102:25	<b>mine</b> 25:21	86:5,14
10:18,23	344:10	20:9,13,14	103:3,4,5,7	90:15 339:7	93:22 95:3
11:8,9,14	<b>mechanics</b>	<b>memories</b>	202:2 204:5	<b>Mine's</b> 341:7	<b>mom's</b> 87:25
14:21 15:23	288:15	20:14,14,20	207:1,10	<b>minor</b> 132:23	<b>moment</b>
18:13 21:15	<b>medications</b>	21:3 195:8	214:1	123:19,20	<b>Monica</b>
21:20 24:12	18:18	21:1 24:17	286:16	264:25	222:1
24:13 28:23	<b>Meen</b> 223:19	<b>memory</b> 20:6	237:7	<b>minute</b> 41:17	<b>monies</b>
29:17 30:16	<b>meet</b> 67:23	21:1 24:17	<b>Mia's</b> 237:5,6	85:6,7	133:10
37:6 38:5	102:12,13	36:13 39:5	237:7	113:13,20	135:4
38:10 40:2	157:13,17	42:25 43:25	<b>miamatthe...</b>		

158:14	<b>movie</b> 155:14	213:25	330:5	155:21	<b>nine</b> 113:6
249:3	<b>moving</b>	219:20,22	346:11	161:4 166:1	123:20
258:16	146:17	226:25	<b>needs</b> 98:6	166:9	124:1,22,23
304:13,13	329:9	230:6	308:19	169:11	124:25
312:3 325:2	<b>multiple</b> 8:21	<b>Nantucket</b>	<b>negative</b>	175:9 176:9	127:6
<b>month</b> 211:6	<b>must've</b>	67:13 88:1	179:22	176:15	166:12
242:16	43:10 117:1	284:3	<b>negligible</b>	184:7	176:17
249:14	127:2 209:1	<b>narrow</b> 23:5	306:24	189:18	180:2
254:13	335:11	23:20	<b>negotiate</b>	199:2,10	186:23
<b>monthly</b>	<b>mutual</b> 34:12	<b>Nassau</b>	244:23	201:14	188:10,12
120:24	36:20 80:6	296:23	342:9	204:24	188:14,15
255:11	<b>MVH</b> 42:10	<b>nasty</b> 287:13	<b>negotiated</b>	207:15	197:5 229:6
<b>months</b> 81:18	43:16,18	287:13	52:12 72:2	224:21	229:9
88:12	44:14,16,18	<b>Naugatuck</b>	72:7 75:10	225:3 226:5	252:15
109:12,21	45:9,16,18	64:24 65:5	75:11	226:20	253:2,7
139:10	45:24	<b>necessarily</b>	106:18	230:14,17	292:24
149:15	<hr/>	206:14	312:15	231:25	293:18
167:9	<b>N</b>	274:1	331:1	232:11,15	294:7
199:14	<b>N</b> 3:1,1 4:1,1	305:21	<b>negotiating</b>	234:8,10,18	297:13,14
214:21	5:1 153:17	343:25	331:18	270:3	298:13,16
217:6,6,6	153:17,17	<b>necessary</b>	342:8	<b>Nick's</b> 175:10	298:17,19
229:6,9	<b>N-A-U-G....</b>	126:11	<b>neither</b>	207:18	298:22
255:7 312:8	64:25	327:23,24	111:20	227:15,22	300:7,15,19
344:22	<b>N-I-K-L-A...</b>	342:21	<b>net</b> 108:22	229:17,22	301:18
<b>moon</b> 312:13	144:17	<b>need</b> 34:9	114:15	231:15,24	306:11,13
<b>Moore</b> 220:5	<b>NAHCS</b>	58:20 97:21	116:22	232:3	311:14
<b>Morgan</b> 91:1	200:6	98:6 126:13	117:4	234:24	320:3,8
<b>morning</b> 8:3	<b>naive</b> 260:4	151:17	185:18	<b>Nicklaus</b>	321:6,10
126:10,17	<b>name</b> 5:5	195:16	308:10	156:22	322:20
328:18	6:16,16,19	223:10	<b>netted</b> 322:8	<b>Nicklaus's</b>	<b>nineteen</b> 26:8
<b>mortgage</b>	7:25 8:1	232:10	<b>new</b> 34:20,22	272:9	26:11 167:3
91:7 196:24	12:2 22:9	287:19	45:15 47:6	<b>Nicky</b> 92:14	169:21
309:11	31:6 33:20	293:17	54:10,11	131:24	<b>ninety</b> 185:7
314:5	50:1 57:10	330:6,9,10	78:17 86:15	167:8 178:9	311:3 321:1
327:20	58:10,15	330:12	102:6 112:9	198:1	321:15
329:25	59:15,25	<b>needed</b> 29:19	166:2 168:6	218:24	326:20
<b>MOU</b> 81:4	66:13 158:5	36:21,21	173:16	222:15	<b>ninety-nine</b>
81:14	158:23	124:19	174:16	228:3 233:2	30:16 31:3
<b>mouth</b> 128:3	213:13,14	129:22,23	175:9 192:5	233:8,10,12	31:5 32:20
<b>move</b> 92:3	215:21	129:24	220:2 223:5	233:16	33:9,16
130:9 138:8	228:11,25	140:18	225:25	234:25,25	113:6 149:9
157:14	229:8 230:1	151:20	306:19	234:25	176:17
163:18	230:12	161:3	<b>newspapers</b>	292:11	<b>ninety-six</b>
164:9	272:12	179:24	34:2	<b>night</b> 223:11	123:5
222:23	297:1 311:6	180:1	<b>nice</b> 84:22,24	<b>Niklaus</b>	<b>ninety-two</b>
<b>moved</b>	347:18	250:24	340:10	144:16	283:10,11
157:11	<b>named</b> 22:19	263:9	<b>Nick</b> 38:3	146:11	<b>NJL</b> 204:23
165:1,4,16	173:21	280:24	98:6 128:12	148:23	205:25
166:14	<b>names</b> 47:10	322:23	129:13	240:16	<b>nodding</b>

19:15	42:16 43:6	122:24	128:20	83:17 84:11	346:12
<b>nods</b> 139:3	125:21	128:10,11	222:22,23	88:10 92:16	<b>old</b> 43:17
<b>non-circu...</b>	169:11	128:16,20	<b>occurred</b>	94:9 98:8	44:15 45:11
48:23	174:23	128:21	270:18	102:10,25	45:15 52:21
<b>non-public</b>	242:9,10,17	129:11	277:11	103:4 112:6	<b>older</b> 85:10
343:21	242:25	170:3	286:10	116:19	<b>once</b> 35:6
<b>nonconfor...</b>	251:22	181:14	<b>ocean</b> 85:13	117:9	51:23,25
342:4	320:16	184:17	<b>October</b>	127:12	61:4 64:13
<b>nonrecourse</b>	<b>number</b> 8:2,6	186:14	31:12,17,24	130:8 143:7	84:4,18
90:23	8:15 22:21	187:12	32:3 42:17	152:22	91:20 97:25
<b>nonspecific</b>	22:22 23:10	188:7,25	121:11,15	162:11	132:19
20:19	24:24 26:6	195:18	184:9	171:4,6	133:3 154:9
<b>Norman</b>	26:8,14,14	196:10,21	<b>odd</b> 237:1	172:25	164:14
222:6	27:4,15	198:3,11	312:12	173:1 182:3	178:5 211:6
<b>North</b> 64:8	28:9 102:6	215:4	<b>offer</b> 30:23	182:12	214:1 232:1
<b>Nos</b> 11:10	107:1,10	220:22	<b>offering</b>	183:16	236:11
15:19	116:7 119:8	239:17	59:19 62:3	184:18	244:10
<b>note</b> 12:10,11	122:20	251:17	109:15	185:21	<b>one's</b> 47:8
12:12 63:5	141:21	252:9,10	111:22	188:24	250:13
109:11,11	169:23	255:20	128:7,22	191:19	<b>one-page</b>
164:18	171:8	272:24	129:16,20	193:3	268:23
167:7	176:18	275:24	129:21	200:12	<b>ones</b> 16:1
238:18	188:23	289:9 294:9	139:25	205:7,23	23:20,21
239:7 265:3	189:7	313:1,16,20	145:25	213:21	44:20 68:15
270:13	190:10	315:23	149:6	218:12	231:17
278:18,19	194:12	<b>nut</b> 85:12	296:25	219:10	276:19
278:21	195:16		297:1,6	226:22,25	<b>open</b> 58:16
281:7,14,15	200:8,9,10		346:16	227:2 237:6	58:17 59:9
281:17	200:20	<b>O</b> 3:1 4:1 5:1	<b>office</b> 5:5	244:13	59:11,12
291:13	215:16	153:17,17	12:25 13:8	248:21	152:1
295:19	222:18,25	153:17	82:8 170:12	250:16	229:13
339:8	253:1,7	<b>obligation</b>	248:20,23	257:19	342:6,13,15
<b>notes</b> 4:6	255:4	309:1,22,24	249:12	258:13	<b>opened</b> 154:9
83:8,8	267:11	311:4	296:12,17	260:9 262:1	154:10
87:11 213:5	280:3	327:14	296:19,20	266:12	<b>opening</b> 7:5
238:10	284:17	<b>obtained</b>	<b>officers</b> 6:4	267:21	7:10 346:7
249:15	296:1	9:15	<b>offices</b> 5:4	273:21	<b>operating</b>
263:12	316:18	<b>obvious</b>	192:1	275:18	34:14
270:2	322:13,15	97:25	<b>offset</b> 333:8	283:21	<b>opinion</b>
284:24	330:21	167:10	333:10	286:24	128:4
<b>notice</b> 1:15	341:16	<b>obviously</b>	<b>oh</b> 13:14	288:22	<b>opportunity</b>
169:8	347:5	20:4 95:7	23:16 28:4	292:23	7:15
187:10	<b>numbers</b>	163:5	34:17 35:12	296:18	<b>opposed</b> 16:1
218:19,22	47:17 48:18	<b>occasion</b>	38:11 40:5	299:13	17:9 25:13
240:3	50:19 52:5	133:4	44:7 52:10	301:20	25:14 108:2
337:22	62:19	<b>occupancies</b>	53:11 54:7	306:20	124:23
<b>noticed</b> 78:7	115:23	52:7 329:7	69:11 70:22	308:4	210:22
165:15	118:1	<b>occupancy</b>	72:4 80:17	337:19	<b>oral</b> 267:9
<b>November</b>	121:10,18	47:18	81:11 82:16	341:7	<b>orally</b> 280:6

<b>order</b> 7:7	167:1 170:8	310:17,18	127:17	218:15	223:16
12:5 31:14	187:14	311:20,21	168:9	219:11	224:21,25
37:4 42:4	200:25	314:15,16	<b>owns</b> 24:11	238:16,20	225:2,7,7
62:3 77:18	267:8	317:15,16	24:12 29:23	254:4,7,8	225:24
106:7 112:3	341:22	318:1	31:3,9 44:2	254:15,18	226:7
121:14	344:10	333:10	44:3,14	268:1,13	227:15,22
191:15	<b>outing</b> 222:7	338:12	45:8,14,18	280:12,12	228:3,3,8
192:6 330:6	<b>outline</b> 84:25	<b>owes</b> 76:16	45:24 60:17	280:20	228:20
339:1	142:6	201:16,20	66:8 74:25	281:6	229:17,22
<b>ordering</b>	320:24	233:25	149:9,10	287:14	230:16
226:10	<b>outside</b> 128:9	<b>owned</b> 24:9	166:2 302:6	289:24	232:15
<b>orders</b> 191:9	128:11	30:16,20	308:9	297:21	233:10,19
191:10,13	219:4	32:7 33:10		322:4 336:8	233:23
192:17	286:24	33:12 41:23	<b>P</b>	336:11	234:4
194:12,19	<b>outstanding</b>	41:23,24,24	<b>P</b> 5:1	339:5	240:12,16
<b>Orenstein</b>	292:8,12	41:25 42:8	<b>p.m</b> 153:15	340:20	242:2
25:23 38:3	293:9	43:19 44:17	153:20	<b>pages</b> 1:8	266:19
47:6,12,13	332:11	46:14,22	346:18,19	115:20	268:12
48:2 51:20	<b>overseas</b>	47:13 49:20	<b>PA</b> 158:5	188:19	269:18
51:25	86:11	57:9 60:4	247:25	252:5,6	271:19
181:13	207:25	64:13,22	<b>package</b> 30:5	335:23	275:11
196:4	<b>owe</b> 72:1	65:12 67:1	146:16	336:1	303:6,8
<b>Orenstein's</b>	75:13 76:7	149:14,16	<b>packet</b> 78:9	<b>paid</b> 54:24,25	304:12
47:7	78:3 114:18	158:18	80:4	55:2,3,23	306:21
<b>organization</b>	150:15	161:19,25	<b>page</b> 22:21	74:25 75:4	309:5,9,10
27:17	201:18	162:17,20	26:5,6,13	75:4 76:15	309:15,18
<b>organizatio...</b>	202:16	167:1,11,12	26:14 72:9	80:15 81:24	311:5
28:11	214:18	181:24,24	72:12 77:2	84:1,11	314:13
<b>organized</b>	233:1,16	183:8	105:18	90:16	315:25
83:9 155:21	234:22	193:22	107:9	102:19	316:8,11,13
<b>original</b>	276:1,4,15	255:6	115:18	106:12	322:9
41:11 74:6	276:17	270:18	122:3	108:21	323:20
126:2 129:2	293:23	302:8,17,18	144:12	117:1	325:8
162:13	300:18	302:19	178:16,17	118:12	336:25
192:10,15	314:8	303:9,12	178:19	124:4	339:11,14
280:15	340:13	<b>owner</b> 34:4	184:16	127:19	339:17
294:25	<b>owed</b> 76:4,9	36:25 50:8	186:20	135:23,24	340:10
325:5	136:20	55:23,25	187:1	136:14	<b>Palm's</b> 56:23
342:19	201:24	60:6,6	188:23	137:6	131:21
347:13	202:11	149:24	189:19,25	164:16	132:8 150:7
<b>originally</b>	203:6	245:13	190:1,2,4	165:18,23	150:18
22:10 34:16	204:16	<b>owners</b> 33:11	190:18,21	177:6,11	151:5 152:9
42:6 44:5	215:1	103:25	190:23	182:22	160:8,23
50:17 68:4	275:23	<b>ownership</b>	191:4,4	188:15	206:4,17
70:3 83:6	300:21,23	25:1,2	192:22	203:19,20	207:1,16
107:2	300:25	33:22 36:1	193:4	203:20	<b>paper</b> 12:23
108:13	304:5	59:1 66:6	194:25	213:15,17	12:24 58:22
115:1	308:12,13	97:2 110:10	198:12,13	219:6 220:9	60:7 162:13
147:15	309:20,21	110:12	217:1	221:23	180:1 314:7

318:6,12	<b>party</b> 83:22	323:3,6	<b>payoff</b>	20:12,15	342:16,17
335:12	<b>passed</b> 93:22	324:9,11,14	270:12	30:16,20	<b>perfect</b>
<b>papers</b> 12:7	95:3 332:10	326:11,16	279:25	31:1,2,4,5	165:25
13:2 34:3	332:17	327:2,3,5	280:7,9,19	32:21 33:9	<b>perfectly</b>
91:9 287:12	<b>path</b> 51:6	330:11	<b>payout</b>	33:16 49:5	20:11
<b>paperwork</b>	<b>patient</b>	345:10,11	114:17	49:11 50:23	175:14
33:21,21	285:14	<b>payable</b>	280:10,23	59:12,13	<b>performed</b>
115:7 319:2	<b>patterns</b>	126:4 200:9	<b>payroll</b>	60:23 65:23	219:16
325:11	145:11	200:12	218:17,23	67:2,2	<b>period</b> 97:11
<b>paragraph</b>	<b>pay</b> 48:22,24	<b>payback</b> 75:3	218:24,25	88:19,20	178:4
72:16	51:15 69:14	<b>paying</b> 70:21	218:25	89:3 97:2,6	192:12
292:25	70:18 72:6	78:2,6 84:8	219:2,7	107:3,4,6	222:25
293:5	74:24 75:12	90:7 106:2	222:14,16	107:18	248:15,16
<b>parcels</b> 58:23	75:13 76:6	107:3	225:1,11	108:15	<b>periods</b>
<b>parent</b> 60:13	80:9,13	120:22	238:1	110:12,13	188:21
60:19	84:9,13	176:19,20	<b>PB</b> 9:23,24	110:16	<b>Perlman</b> 68:7
<b>parenthesis</b>	86:16 91:5	204:6	24:7 29:9	111:9,16	68:16 72:4
116:17	91:6,7	274:21	41:10	112:17,22	82:14
123:20,22	102:15	314:13	152:14,16	112:23,24	105:11,12
<b>Park</b> 64:15	105:25	324:13	161:11	113:6	<b>Perlman's</b>
<b>parking</b>	106:16	330:12	208:1	117:18,19	68:8
342:14	108:18	340:2	<b>PB's</b> 151:6	118:16	<b>permission</b>
<b>part</b> 36:14	120:20,21	<b>payment</b>	152:14	124:6 126:4	163:21
75:3,9,12	120:23	106:22	206:4,21	126:5 127:2	<b>permit</b>
76:7 115:23	121:1	111:8 118:9	207:9,16	127:3,8,12	332:11
150:10,21	132:21	200:3	<b>Peach</b> 25:25	127:13,16	343:6,9,13
155:22	134:21	<b>payments</b>	<b>penalty</b> 342:1	128:5,6	<b>permits</b>
176:21	141:4 145:6	106:24	<b>pens</b> 65:14	137:23	342:21
202:10	146:18,19	231:14,23	<b>people</b> 52:9	138:24	<b>person</b> 35:4
235:15,21	162:8 177:4	<b>Payne</b> 68:3	96:21	149:9,10,24	41:20 49:24
238:24,25	202:14	68:17 69:25	100:19,22	150:3 151:3	66:10 84:14
261:3,4	203:13	70:15 72:10	129:10	151:4	84:14
270:21,22	214:19	72:23 82:9	145:8	173:14	130:16,18
277:13	230:14	82:15,21	154:24	177:12	154:20
287:6,9	232:14	83:2,3	155:4	178:10	197:10
297:10	233:17	87:10 100:8	170:20	179:24	206:10
307:4	234:17	101:1,6,13	226:2,9,16	180:1 196:3	211:21,22
345:23	236:7	101:20	226:20,21	202:8	213:14
<b>particular</b>	241:17	102:8,20	227:3,7,13	206:12	222:1,5
81:1 97:12	242:4 246:9	103:17	227:14	222:23	223:9
97:14	253:21	105:12	236:2	232:17	225:17
178:15	270:7 275:4	113:16	246:12	233:16	228:2
<b>particularly</b>	275:10	125:8	265:23	234:4 235:2	229:23
17:2	279:8,8	163:20	270:4	241:4,16	230:3
<b>parties</b> 222:7	283:6 311:1	243:12	271:25	263:2	298:10
222:7	312:24	261:16	272:2	269:13	328:16
<b>partnership</b>	315:24	267:17	<b>people's</b>	270:14,15	<b>personal</b>
135:21	316:2	270:1	230:5	272:15	53:20 62:24
239:18	322:13	345:16,17	<b>percent</b>	278:12,25	63:1,4

73:11,13	<b>persons</b> 8:19	158:21,24	<b>plumbing</b>	<b>prayed</b> 92:5	28:22 85:19
81:25 99:5	9:1	159:12	226:12	92:6 278:16	91:15,20
99:9 132:13	<b>Petraeus</b>	174:24	<b>plus</b> 68:5	<b>Pre-July</b>	131:18
132:21	86:10	210:16	107:3	200:7	188:6
133:1	<b>PG</b> 303:4	231:5	110:16	<b>predated</b>	195:12
136:13	<b>PG'ed</b> 303:2	307:23	120:13	109:12	239:20
137:1	344:15	<b>placed</b>	123:21	<b>preempt</b>	241:19
151:12	<b>PGA</b> 216:6	307:22	185:4	211:16	246:7 311:4
158:13	<b>phase</b> 185:3	<b>places</b> 54:9	194:11,17	<b>preface</b> 258:6	312:23
159:1 215:1	186:8	331:5,6	236:23,23	<b>prepaid</b>	323:15
233:2	224:10,15	<b>plan</b> 50:17	271:13	106:22,23	344:2
234:10,11	236:14	138:17	311:20	111:8	346:10
234:17,18	<b>phenomenal</b>	139:16,23	312:2	118:12	<b>previous</b>
241:15	86:25	140:9 147:5	316:23,25	123:12	19:19 127:7
243:3	<b>phone</b> 8:6	346:5,6	317:24	128:5 267:5	245:13
244:16	73:3 87:9	<b>plane</b> 133:25	<b>pointing</b>	<b>prepare</b>	<b>previously</b>
247:14	87:10	228:18	115:24	197:3	70:10 100:3
257:2	<b>photograph...</b>	<b>planned</b> 85:1	194:9	<b>prepared</b>	104:23
258:18,25	212:1	91:21 92:10	<b>points</b> 45:3	122:9	114:6
259:4,12,15	<b>phrase</b>	<b>planning</b>	113:14	<b>preselling</b>	142:13,15
259:19	135:14	242:15	<b>political</b>	94:19	216:19
260:2,18	254:25	274:21	346:5	<b>present</b> 23:6	243:5
261:3	<b>physical</b>	<b>plans</b> 61:20	<b>pool</b> 192:3,5	23:19 28:2	256:17
262:16	18:14 96:7	140:1	192:6,7	32:18 33:7	261:14
263:3	96:8	<b>plant</b> 46:5	236:4	85:2 108:16	272:19
265:12,14	<b>physically</b>	<b>play</b> 72:17	<b>poor</b> 344:18	108:17,22	298:7
268:24	98:2	102:24	<b>portion</b>	114:16	303:19
269:12,17	<b>pick</b> 19:14	103:1	148:17	116:22	311:23
269:22	155:6 188:8	328:19	149:25	117:4,10	334:12
270:15	<b>picture</b> 36:4	<b>played</b> 73:23	<b>possession</b>	119:16	338:22
274:15	<b>pictures</b>	331:21	14:4 18:9	153:18	<b>price</b> 182:21
275:7,9,12	93:14	<b>playing</b>	254:24	212:10	183:11
275:17,19	<b>piece</b> 59:3,7	286:12	<b>possible</b> 9:4	<b>presentation</b>	185:5
275:21	62:3 65:12	<b>plays</b> 70:4	18:22 239:13	185:22	192:10
277:24	103:25	<b>please</b> 6:6,15	8:22 239:13	186:10,15	224:1
278:1,11,13	104:1	7:25 11:22	<b>potted</b> 46:4	195:2	267:11
278:17,21	155:12	17:20 19:7	<b>power</b> 38:9	196:15,19	291:1,4
<b>personally</b>	162:13	19:11,13	38:18 40:14	<b>presented</b>	294:25
16:2 90:23	184:21,22	70:19 78:19	41:5 287:21	184:17	295:5,8,13
90:24	224:17,17	86:1 126:1	<b>powered</b>	<b>presently</b>	308:10
129:24	224:18	126:9	144:24	18:17	313:3,10
137:4	226:11	151:11	<b>PPM</b> 126:13	<b>presents</b> 8:22	323:10,12
149:12	237:15	179:18	126:23	<b>president</b>	325:14
175:1	<b>pieces</b> 58:14	256:17	128:7,9,15	264:4 346:7	<b>primarily</b>
233:14	58:21 59:25	258:9,10	129:7 141:8	<b>presold</b> 94:19	82:20
271:8,21	<b>piggy</b> 99:9	272:17	143:23	96:15,16	<b>print</b> 217:23
303:5	<b>pilot</b> 27:5	293:5 320:5	144:4,14	<b>presumably</b>	258:6
304:10	<b>place</b> 1:9	341:1	<b>practice</b>	45:10	<b>printed</b> 218:9
344:15	36:21 140:8	<b>plug</b> 178:25	211:5	<b>pretty</b> 26:15	218:11

<b>printouts</b>	312:17	214:17	128:19	184:6	323:10,12
189:18	332:25	<b>progressing</b>	236:8	239:21	325:14
298:13	334:25	98:22	<b>projects</b>	255:15	338:1
<b>prints</b> 155:11	<b>problem</b> 17:6	<b>project</b> 48:1	104:19	<b>provided</b> 7:6	<b>purchased</b>
226:14,14	26:12 326:6	48:10,11,12	226:21	7:11 18:8	205:5
226:15	340:4	61:6 66:21	236:18	40:15 41:5	241:24
<b>prior</b> 7:5,10	<b>procedure</b>	67:13 70:6	241:2	129:15	<b>purchaser</b>
14:4 18:9	18:21	78:1 79:1	<b>promise</b> 34:2	134:16	292:6
51:20 61:1	<b>proceeding</b>	87:4 105:20	317:9	140:2	<b>purchases</b>
98:4 150:20	6:5 7:9	105:21,22	<b>promised</b>	169:10	205:15
150:21	<b>proceedings</b>	111:16	86:20	188:4	<b>purchasing</b>
151:1	8:13 19:3	117:12	<b>proof</b> 159:7	221:18	227:7 289:5
159:10	347:11	118:20	<b>Proofreade...</b>	<b>provision</b>	<b>purpose</b>
182:3,4	<b>proceeds</b>	119:6,13,20	347:1,18	295:6	211:19
183:4	71:21	120:10	<b>prop</b> 270:8	<b>provisions</b>	<b>purposes</b> 6:5
203:25	320:13	136:20	<b>properties</b>	7:1	<b>pursuant</b>
204:1	<b>process</b>	137:3	46:7 205:15	PS 263:12	1:15 11:3
218:21	271:24	138:19	269:5	<b>Pugliese</b>	<b>push</b> 311:16
<b>private</b> 58:2	<b>processed</b>	139:11	283:13	267:8,11	<b>put</b> 26:11
58:4 59:19	269:3	140:11	284:1	<b>Pujani</b>	31:13 35:14
59:22	<b>processing</b>	141:10	<b>property</b>	184:17,18	56:10 58:10
<b>privately</b>	247:8	142:22	58:14 59:18	185:17	58:15,25
62:2	271:14,17	143:10	61:10,12,14	186:4	59:9,15
<b>privately-h...</b>	271:18	146:20	61:15,17,20	<b>pulled</b> 345:1	65:21 81:13
22:23	<b>procurement</b>	148:10	62:7,22	<b>purchase</b>	88:15 89:8
<b>privilege</b>	226:16	154:21	63:18 64:8	41:12 42:4	89:18 91:3
13:11,17,21	<b>produce</b>	156:12	64:11	42:6,7	126:14
13:25 18:1	292:14	162:8 163:5	103:25	59:18 62:12	129:21,25
18:5 39:14	<b>produced</b>	163:9	104:1,3,7	63:14,15	145:18
216:9	13:21,24	173:18	104:10	104:9,10	155:1,3
<b>privileges</b>	14:1,3 18:4	180:5	161:25	182:10,18	158:22,24
216:16	29:12 122:6	193:12	182:18	183:2,11	170:5
<b>probably</b>	208:19,22	219:15	193:16	185:3,5	174:24
16:17 38:14	208:23	220:17	205:5,12,20	193:16,17	184:8 191:9
38:17 72:21	218:4 248:3	224:12	276:25	205:11	191:19
76:1 80:11	284:25	235:15	279:14,16	242:15	196:23
80:15 95:17	<b>product</b> 58:9	236:17	279:25	245:8 246:6	201:16,25
114:21	<b>production</b>	239:10,13	288:14	246:23	201:25
131:5,7	11:16	239:14	302:6,13,22	258:18	203:19
162:15	<b>profession</b>	256:25	318:1,25	259:2,13,17	210:16
177:12	27:13	266:20	329:25	259:24	212:25
181:7	<b>professional</b>	275:24	334:10	260:25	214:20
186:16	27:4 188:9	276:3,5,16	338:1,2	284:23	217:9 224:3
207:24	219:12	277:7,15	341:11	285:3 291:1	226:11
214:5	<b>profit</b> 168:3	279:3,9	<b>protest</b> 40:12	291:3 293:7	228:22
243:20	176:2	327:4 329:1	<b>provide</b> 22:2	295:5,8,12	249:3
289:23	<b>program</b>	341:24	26:18	304:1 313:3	255:25
293:13	60:25 82:8	<b>projections</b>	103:17	313:10	264:2
310:6	<b>progress</b>	52:6 128:18	129:13	314:5	265:20

266:4,24,24	247:25	110:9 118:9	192:8	127:1 129:5	342:23
276:18,20	256:3	118:20	193:10,14	134:4 139:8	343:3 346:4
277:14	335:16	128:25	236:18	140:16	<b>realtime</b>
279:2	338:24	129:2	243:15	146:20	210:7 231:1
303:14	<b>QuickBook</b>	235:20	286:19,21	148:7	231:2 232:9
310:13	187:7,9	<b>rambling</b>	289:12	154:15	<b>reason</b> 13:21
315:10,16	263:23	92:22	292:25	155:3	13:25 18:4
324:23	<b>QuickBooks</b>	<b>ran</b> 49:23	293:1,5	156:17,24	18:14 41:9
325:1	137:24	52:5 179:20	327:17	160:11,14	99:17
327:20	187:3 188:2	219:1	<b>reading</b> 77:4	160:15	162:22
329:24	188:2	276:19	146:2 196:5	165:2	187:16
344:11	209:16,17	326:6	243:25	169:18	195:19
<b>putting</b> 99:4	209:21,25	<b>ranking</b>	318:6	172:9	199:9 201:4
100:4 128:2	210:22	283:1	<b>real</b> 10:5	173:12	<b>recall</b> 20:24
129:20	211:25	<b>rate</b> 107:6	46:11	174:4,11	101:18,20
156:4	212:11	111:4	146:18	181:22	102:7,9,22
	217:10	119:17	162:17,22	186:8 188:1	126:22
<b>Q</b>	228:13,14	126:4	173:8	196:2,8,18	157:18
<b>quagmire</b>	230:21,23	127:11,20	222:12	196:20	166:10
194:1	231:23	128:6	244:1 245:9	197:1	208:2 209:9
<b>qualified</b>	<b>quickly</b> 98:24	221:10	246:12	198:19	254:12
115:5	<b>quit</b> 78:15	<b>rates</b> 47:17	249:5 256:3	200:22	255:10
154:17	90:2,3	52:7 114:16	267:6	201:8,9	287:20
<b>qualifier</b>	<b>quote</b> 261:7	117:6	281:10	203:13	<b>receive</b> 14:24
173:20,20		128:19	295:12,21	206:10	37:7 69:6
173:22		129:9	297:4 309:4	212:9	73:19 74:12
174:14,16	<b>R</b> 5:1 153:17	220:24	310:5,17,25	215:13,15	80:4 174:21
174:19	336:15	222:20	311:20	216:11	243:14,24
<b>questioned</b>	<b>R-O-B-E...</b>	<b>Ray</b> 173:21	313:16	218:5 219:8	<b>received</b> 15:3
21:8	6:20	174:13,14	328:1,2	223:12	40:3 72:14
<b>questioning</b>	<b>raise</b> 6:7	<b>Raya</b> 347:9	<b>reality</b>	224:5	119:5,6
17:8	57:23 59:17	293:4	293:23	229:10,15	126:5 185:9
<b>questionna...</b>	59:23 68:5	293:15	296:7 323:5	235:25	273:1
3:13 21:15	82:5 108:13	<b>reacquire</b>	<b>really</b> 16:21	245:3 257:1	304:15
21:25	109:3 110:7	94:24	16:22 22:11	259:25	<b>receiver</b>
<b>questions</b>	115:2,3	<b>reacquired</b>	31:6 34:8	263:22	12:25 36:4
7:19 16:3	116:24	95:11	36:4 44:20	265:1	55:8 174:23
16:14,17,20	128:25	<b>read</b> 7:15	49:24 61:7	268:21	203:25
18:23 19:6	221:20,23	45:12	61:8 62:6	278:7	204:1,9
19:13 20:2	<b>raised</b> 62:2	106:21	67:13 70:8	284:22	210:16
22:5 26:6	107:17	111:3 118:4	71:14 73:12	285:11	231:5
35:24 36:5	111:10	123:16	83:18 84:24	290:9,10	<b>receiver's</b>
36:6 151:17	114:17	129:7	87:22 90:9	296:7 308:8	35:18
199:6	117:11	139:16	91:13 94:1	314:17	214:21
285:14	144:9 159:2	144:11,12	94:11,17,18	317:3 318:2	<b>receiving</b>
335:6	271:23	162:5 171:7	94:20 98:18	322:3 328:9	243:22
<b>quick</b> 3:25	<b>raising</b> 28:24	182:16	98:23 101:2	332:24	271:1
10:5 26:19	107:2	188:25	123:15	339:16	<b>recess</b> 5:16
55:15 165:9	108:21	190:16,18	124:19	340:1 342:7	10:8 40:21

93:4 113:23	124:6,8,11	<b>referencing</b>	<b>reimburse</b>	82:25 83:21	19:2,14
124:9	124:15,20	185:25	244:13	84:16	21:14 29:5
153:16	144:11	<b>referring</b>	<b>reimbursed</b>	103:18	42:14 54:13
180:19	153:20,24	45:10	261:6,9	105:8	58:19 68:21
250:1 256:7	163:25	139:24	<b>reiterate</b>	130:10	73:17 74:1
333:25	164:2	148:3	279:23	157:8,19	76:18 79:18
<b>recession</b>	169:23	189:20	<b>Reitz</b> 83:16	204:25	125:12
332:10	180:18,21	281:7	92:12 153:7	233:25	180:7
<b>recites</b> 331:6	180:25	336:24	160:13	264:13,16	197:14
<b>recognize</b>	212:5	<b>refers</b> 188:5	265:7,25	264:18	247:22
21:22 181:4	223:22	239:9	266:1,11	333:22	276:23
181:10	232:16	<b>refinance</b>	267:18	<b>release</b> 80:6	279:12
208:21	233:10	307:18	274:25	80:17	282:13
216:21	234:3	<b>reflect</b> 223:22	304:13	<b>releases</b>	285:1
251:4	249:25	241:23	<b>relate</b> 276:25	73:24	<b>reporting</b>
254:15	250:3,7	279:24	<b>related</b> 8:15	<b>remaining</b>	1:24 347:15
<b>recollect</b>	256:6,9,13	<b>reflected</b>	9:8 29:6	234:9 292:8	<b>reports</b> 3:25
195:8	296:6	126:6	33:21 36:9	293:8	165:10,15
253:25	333:24	<b>reflects</b> 126:3	55:10 66:6	303:24	214:16
300:18	334:2,6	<b>refresh</b> 24:16	70:12 76:20	<b>remembered</b>	222:19
<b>recollection</b>	336:20	39:5 43:8	79:11 80:20	232:19	247:25
20:17 21:1	344:8,13	43:20,25	100:16,16	<b>remind</b> 310:8	335:16
21:7 25:15	346:17	183:23	102:21	343:20	338:25
43:8,21	347:13	186:2 217:3	104:14	<b>removed</b>	<b>represent</b>
186:3	<b>record's</b>	221:17	152:20	31:25	8:12,14
<b>recollections</b>	26:21 325:8	287:19	163:4,11	121:12	9:11,13,17
20:9 21:11	<b>recorded</b>	<b>refreshes</b>	168:14	184:10	9:23,25
<b>recommen...</b>	196:10	21:7 78:9	200:17	<b>renovation</b>	111:19
255:15	<b>recording</b>	252:23	225:12,13	160:7	117:3
<b>reconcile</b>	291:13	257:14	225:14	<b>rent</b> 91:4	125:24
211:7,12	295:20,21	<b>refrigerator</b>	226:21	267:5	147:3
<b>reconciled</b>	347:15	89:19	243:18	<b>rental</b> 236:4	152:18
136:17	<b>records</b> 74:17	<b>regard</b> 8:13	268:13	<b>rents</b> 91:6	159:18
<b>record</b> 5:3,15	81:13,14	137:14	269:8	<b>repaid</b>	182:11
5:18,20,23	97:8 198:22	<b>regarding</b>	279:14,15	240:20	200:10
6:16 7:5,11	205:19	102:24	280:19	<b>repay</b> 76:3	257:6
10:7,10,13	241:22,22	180:9	282:8,10,14	<b>repayment</b>	286:18
19:9,21,22	<b>reduced</b>	<b>regardless</b>	284:13	74:21	<b>representat...</b>
19:23 40:10	234:8	345:9	317:25	<b>report</b> 187:7	8:21
40:18,20,23	291:25	<b>Regency</b> 48:7	337:24,24	187:9	<b>representat...</b>
41:2 53:24	308:22	<b>regional</b> 5:4	338:7 340:3	199:19	16:10,23
58:20 67:21	313:2	5:9 82:7	<b>relates</b> 17:2,3	210:22	<b>represented</b>
85:7 93:3,6	<b>refer</b> 29:18	298:22	22:22 212:4	212:11,13	7:22 8:18
93:10,17	30:5 189:8	300:9 320:4	<b>relationship</b>	213:13	8:25 157:21
103:6,9	256:1 257:9	<b>Regions</b>	46:12,25	338:24	244:25
113:19,22	<b>reference</b>	217:2,18	56:6,8	339:1	262:15
113:25	79:1 239:2	<b>registered</b>	57:14 69:18	<b>Reporter</b>	<b>representing</b>
114:4	240:10	15:7,10	70:13 80:21	10:16 11:6	8:9 172:4
117:21	335:20	<b>regular</b> 84:17	80:21 81:16	14:15 15:15	<b>represents</b>

8:19 9:1	<b>responsibil...</b>	214:11	226:14	179:19	<b>salary</b> 148:25
116:21	9:6 137:14	<b>reviewed</b>	227:7	204:6	<b>sale</b> 58:9
<b>repurchase</b>	<b>responsible</b>	210:23	286:22,24	330:13	96:18,19,21
82:6 167:17	90:24	212:18	329:12	<b>runs</b> 155:24	<b>sales</b> 235:21
<b>request</b>	288:12,13	<b>reviewing</b>	<b>rooms</b> 48:14	<b>RVM</b> 240:6	<b>Samuels</b>
185:17	295:12	21:6 212:21	96:10,23	339:9	103:23
197:2,8	<b>responsive</b>	<b>revoked</b> 41:8	329:2,8,8	<b>rvmatthew...</b>	<b>sane</b> 82:23
281:4	14:2 18:8	<b>rid</b> 30:24	329:10	38:3 125:14	<b>Sardinia</b>
<b>requested</b>	20:9,17	71:8 78:18	343:2	<b>Ryan</b> 30:20	222:6
9:20 153:6	21:2,10	78:19 88:2	<b>roughly</b>	30:24 31:11	<b>sat</b> 89:19
179:7	<b>rest</b> 63:5	<b>ride</b> 86:15	179:23	32:7 34:5,9	151:25
<b>require</b>	204:12	<b>right-hand</b>	<b>round</b> 170:3	34:17 35:8	199:13
105:22	<b>restaurant</b>	130:16	255:20	35:11 36:8	<b>Saturday</b>
<b>requirement</b>	26:1 342:2	186:17	<b>Royal</b> 8:16	36:24 37:6	223:11
342:16	<b>restroom</b>	197:10	25:5,6 29:8	37:10 40:12	<b>saved</b> 278:15
<b>reservations</b>	256:3	211:21,22	29:22 30:1	42:17,18	<b>saw</b> 12:13
223:10	<b>resume</b>	238:11	30:13 33:4	43:2,6,10	52:20 59:21
<b>Residence</b>	144:21	251:13	33:23 35:7	43:15 44:6	62:10,11,15
62:16	343:23	<b>rights</b> 229:12	56:23 99:7	44:7,12,14	85:17 87:5
<b>Residences</b>	<b>resumes</b>	<b>rip</b> 192:2	131:14,21	87:5,12	87:7 89:17
57:21 58:7	129:22	<b>ripped</b> 192:5	132:8 149:2	88:2,11,13	101:10
224:16	<b>retainage</b>	<b>road</b> 64:8	150:7,18	89:3 92:6	109:18,23
<b>residential</b>	325:3	70:5 284:3	151:5,20	94:14 98:1	115:6
221:3	<b>retrospect</b>	<b>Robert</b> 1:7	152:9 160:8	109:11,19	120:25
<b>residual</b> 49:4	62:25	3:4 6:12,17	160:23	110:20	127:7 134:9
221:8	<b>return</b>	10:17 11:8	175:3 206:3	121:12	138:17,17
236:12,23	135:21	11:8 21:15	206:17	149:9,24	140:5,8
<b>resolve</b>	<b>returned</b>	79:19 82:4	207:1,15	161:23	143:24
102:14	121:5,6	103:23	212:12	170:25	147:16
<b>resolved</b> 9:3	<b>revenue</b>	121:5,6	212:12	170:25	147:16
<b>respond</b> 12:5	55:18	247:24	215:2	184:9 252:2	159:23
262:4	128:19	347:4	241:13	286:20,21	165:11,15
281:13	236:16,22	<b>ROBERT...</b>	247:6 261:4	287:25	169:10,11
344:5	<b>revenues</b>	290:2	267:7 272:7	288:1 297:9	169:12
<b>responding</b>	129:9	<b>Rogin</b> 296:22	302:10,14	298:12	196:21
19:8	<b>Revere</b>	303:13	303:2	303:2	197:24
<b>responds</b>	107:19,22	296:23	336:23	<b>Ryan's</b> 32:12	198:8,9,11
126:8,8	108:4	<b>role</b> 46:18	337:8	111:3	198:14
<b>response</b>	123:14	50:5 70:4	<b>rubbish</b>	<hr/>	211:1,2
22:23 41:6	154:3 237:5	154:3 237:5	65:21	<b>S</b>	218:12
44:12 45:9	252:1	237:6,7	<b>Rubio</b> 173:21	<b>S</b> 3:1 4:1 5:1	222:10
45:14 154:2	253:21	286:7,12	174:13,14	153:17,17	246:19
208:24	301:13	<b>Rolls-Royce</b>	<b>rug</b> 345:1	153:17	252:23,24
258:14	302:2,6	86:16	100:17	347:9	258:7 264:9
281:4	304:20	<b>roof</b> 233:23	<b>run</b> 145:9	<b>S-T-O-H-L...</b>	264:10,14
<b>responses</b>	320:13,15	73:4 83:5	154:8	215:24	268:16
16:20 26:7	<b>review</b>	96:3,9,9	154:8	216:1	281:18
<b>responsibil...</b>	147:13	153:18	<b>running</b>	<b>safe</b> 323:14	300:3,16,21
211:24	210:2,8,16	156:3 226:8	99:18	<b>salaries</b>	301:15,22
			154:15	203:20	309:6,9

320:5,7	116:18	<b>scary</b> 85:19	130:21	<b>sell</b> 65:21	101:20
331:9,15	117:4,23	<b>scenes</b> 287:15	133:9 144:4	89:1 236:1	116:20
340:2	119:4,8,21	<b>schedule</b>	163:22	236:4,9	280:1
<b>saying</b> 6:1	121:10	178:11	178:16,19	<b>seller</b> 63:18	<b>sends</b> 44:10
24:1 45:12	122:13,23	179:8,9	180:18	290:9,10	77:3 117:25
45:18 70:23	123:4,17,21	<b>schemed</b>	190:21	292:6	232:11
81:12 99:19	126:1,16	87:23	203:2	294:14	<b>sense</b> 78:15
118:7	138:18	<b>scope</b> 16:8	239:10,13	308:1,4	79:13 84:17
119:16	145:23	170:14	246:18,22	313:21	135:11
120:14	147:24	173:13	249:23	317:18	184:2
130:5 136:4	182:16	178:20	270:21,22	322:7	195:24
136:13	183:4 185:3	191:22	273:6	323:18	249:2
137:24	188:6,9,10	192:17	329:25	324:10	257:21
151:11	190:15	<b>Scuba</b> 27:12	<b>secret</b> 140:16	326:10	258:5 259:8
158:13	192:12,23	se 223:10	142:3	<b>seller's</b> 294:4	296:5
174:8	192:25	<b>search</b> 11:22	<b>Section</b> 24:23	294:8,16,17	301:24
177:16	195:12	11:24 14:10	292:4,5,5	294:20	319:8 341:1
181:14,15	196:21	17:20,22	<b>secure</b> 302:13	308:21	<b>sent</b> 12:12
181:18	200:3,7,8	<b>searching</b>	<b>secured</b>	323:6,16	14:25 37:13
183:6,7,8,9	209:5,11	12:4	302:5	<b>selling</b> 49:4	39:2 62:18
189:24	217:11	<b>season</b>	<b>securities</b> 1:1	290:12	76:1 88:9
192:9,15	218:6 239:3	198:24	1:9 2:3,8	<b>send</b> 15:11	97:24 102:7
214:7	239:5,5,7	<b>seat</b> 342:2	5:12 6:3,23	36:17 37:10	109:10,20
232:21	251:11,21	<b>SEC</b> 5:5	7:2 26:9	38:12 43:2	111:21
245:11	252:14,15	10:19 11:10	27:9 347:11	80:4 83:13	112:1
259:11	253:10	14:18 15:19	<b>seeing</b> 91:13	83:17,19	117:25
273:2	257:15	21:17 29:14	147:6 165:8	92:15 97:13	125:21
274:23	268:23	42:20 69:1	209:9	102:4,8	147:5,11
276:6	273:7	74:4 76:22	<b>seen</b> 29:12,20	121:25	157:22,25
278:21	274:25	79:24 81:5	48:21 86:23	131:24	158:1,12,17
280:5	289:3	125:16	125:23	151:8,14	158:19
300:13	291:18,20	168:17	147:4	158:9,10	160:7,13
308:20	293:10,11	180:11	160:16	160:20,22	161:7
316:15,20	294:14	197:17	197:22	160:25	163:14
318:16,20	298:12	248:5	208:16,18	175:8 178:6	173:2
319:11	299:1	279:17	212:13	179:12,16	175:13
321:21	315:24	282:19	217:20	196:4	176:8
<b>says</b> 22:11	318:6 322:3	285:5	230:19	237:10	177:15
34:14 43:7	322:6,7,7	<b>SEC-LAU...</b>	238:9,12	248:16	179:9,17
43:16 44:14	328:15	3:24 197:15	248:10	258:10	217:7,15
45:13 65:5	331:7	<b>SEC-PAL...</b>	288:5	263:19	231:25
71:3,5,18	334:15	280:4	329:24	268:8,9	242:11,24
71:19 72:16	336:12,14	<b>SEC-REIT...</b>	<b>sees</b> 281:21	301:11	244:2
82:3,3	336:14	107:10	<b>self</b> 88:23	304:14	245:16
102:3,4	339:8,9,15	<b>second</b> 38:20	<b>self-fund</b>	334:17	256:19,20
105:16,20	341:2,23	59:3 62:2	176:15	335:4	257:24
105:22	<b>SB</b> 224:7,9	72:16 78:8	<b>self-funded</b>	343:14	261:17
114:20	<b>scam</b> 266:18	78:24 104:1	176:6,22	<b>sending</b>	270:13
116:3,6,11	<b>scaring</b> 319:7	122:23	177:9,21	98:13,20	273:8

278:14,20	183:14	<b>sets</b> 65:20	291:14	259:23	181:8
280:9,16,17	184:6 187:3	105:8	294:19	323:17,20	197:20
280:18	187:15,19	<b>settle</b> 241:5,6	295:23	325:12	208:14
281:13,15	241:23	<b>settling</b> 328:6	<b>seventy-thr...</b>	<b>show</b> 24:14	216:19
298:12	320:17	<b>seven</b> 65:22	221:11	50:15 93:20	238:6 243:5
299:14	<b>sequence</b>	67:1 150:16	303:24	93:24	248:8
304:2	39:4	164:15	304:24	101:10	261:14
324:24	<b>series</b> 19:6	171:6	306:3	112:2	279:20
331:12,15	222:6	181:18	<b>shaft</b> 176:12	168:12	282:22
340:15,17	<b>serious</b> 83:11	192:9,16,20	191:18	195:14	285:9 298:7
<b>sentence</b>	145:2	192:21,24	<b>shafts</b> 170:10	208:12	303:19
123:16	<b>serve</b> 130:17	193:5,8,11	<b>shake</b> 209:24	213:20	334:12
274:6	258:15	193:24	<b>shaped</b> 192:3	216:10	338:22
<b>separate</b>	<b>served</b> 9:19	196:23	<b>share</b> 23:7	234:1	<b>shown</b> 95:9
36:23 47:22	<b>server</b> 88:17	200:1,15	25:15	244:22	<b>sic</b> 304:24
57:23 58:1	<b>service</b>	201:5,5	208:14	245:8 246:8	306:10
59:19 60:9	145:16,18	204:12,14	281:22	246:10	<b>side</b> 116:4
61:6 77:5	223:14,14	237:11	<b>shared</b>	256:16	135:9
122:4,6	<b>services</b> 1:24	253:2,8	111:15	265:6	190:15
132:15	221:17	260:9	<b>sharing</b>	287:17	191:20
135:4	<b>set</b> 25:21	291:14	105:1	292:3	217:1
140:23	26:1 28:21	293:24,24	281:20	295:16	218:16
143:10	41:22 42:2	294:7,18,23	<b>sharp</b> 341:8	319:20	238:11
146:3 149:5	42:5 43:18	294:23	<b>she'd</b> 160:22	326:9 328:4	251:13
170:10	44:16 47:6	295:2,22	237:8	335:11	254:3
228:7	57:4 60:23	308:13	<b>sheet</b> 13:6	<b>showed</b> 7:16	255:25
234:13	63:3,6 65:1	315:10,16	143:8	15:4 113:8	273:7 286:2
235:1	67:10	317:16	255:18	162:13	287:18
276:19	155:14,16	<b>seventeen</b>	<b>Shelly-Ann</b>	210:19	294:5
277:17,20	157:24	22:22 23:10	2:4 5:6	244:7	297:21
277:21	161:16	23:11 59:11	<b>Shhh</b> 112:19	314:15,16	311:15
290:21	162:17	189:6	<b>shook</b> 263:11	331:12	<b>sidekicks</b>
315:4	203:10	<b>Seventh</b>	293:16,25	<b>showing</b>	68:12
326:18	205:23	219:25	<b>short</b> 18:24	10:23 11:14	<b>sign</b> 86:18
342:20,21	211:19	220:1 224:2	44:18	14:21 15:23	110:20
<b>separated</b>	212:2	224:4	203:15	21:20 24:21	112:14
148:5 309:7	218:25	<b>seventy</b> 200:3	229:25	29:17 36:24	113:5 244:5
325:1	226:15	312:17	251:4 254:1	42:23 58:21	287:22
<b>separately</b>	237:12	<b>seventy-eight</b>	255:4	69:4 70:10	334:20,23
60:20	239:18	321:2,16	299:20	74:10 76:25	<b>signal</b> 223:21
156:12	259:23	<b>seventy-five</b>	302:24	80:2 81:8	<b>signatory</b>
302:18	271:20,22	80:9 180:1	<b>shortly</b>	96:17,18,20	206:3,5,21
<b>September</b>	288:20,25	203:12	165:14	100:3 101:4	206:24
10:17,24	313:9	310:12	205:19	104:23	<b>signature</b>
68:24 79:21	318:14	<b>seventy-nine</b>	308:2	114:6	107:7
79:22,23	326:2	156:4,5	<b>should've</b>	125:19	111:13
180:8	327:20,21	214:4	12:20 111:1	168:20	172:22,23
181:15	338:4	<b>seventy-six</b>	137:2,3,15	178:7	334:24
182:3,18	343:14,24	196:23	162:16	180:14	<b>signed</b> 60:5

69:11,13	<b>six</b> 65:22	119:5,10,12	<b>snot</b> 282:16	152:23	335:10
80:11 82:16	67:25 90:7	123:7	<b>social</b> 28:10	164:5 169:5	342:25
82:18 90:22	109:12,21	186:24	<b>socially</b> 134:5	169:5,24	<b>sound</b> 47:10
90:25 91:10	123:7,19,19	222:24	237:7	171:4	146:5
107:7,14	124:22	<b>sixty-five</b>	<b>Society</b> 27:19	172:13,18	<b>sounds</b> 42:11
108:19	145:15	91:10	28:4	173:3	301:10
109:2,4,7	150:16	222:24	<b>soft</b> 147:17	183:17,22	<b>source</b> 62:22
109:12,19	156:3	264:25	<b>software</b>	188:13	64:3
110:1,25	166:12	<b>sixty-four</b>	209:21	195:9	<b>sources</b> 272:5
111:11	170:9,10,10	122:15	<b>sold</b> 50:23	209:23	310:9
112:13	180:2 185:3	123:1	62:6 96:20	216:14,14	<b>south</b> 2:17
113:7	203:8	303:23	127:9 202:8	216:17	8:5 69:19
120:19	204:13	304:23	221:6,7	226:24	85:4 89:6
161:23	231:11	306:2	236:11	237:6,7	166:2 168:6
167:24,25	247:11	<b>sixty-two</b>	272:7	239:4	173:16
168:24	253:8 255:7	68:5 107:2	<b>somebody</b>	242:16	175:9
169:3,17,17	272:24,25	108:14	38:17 62:6	243:10	267:20
169:19	274:7,8,12	109:3	154:25	250:18,18	298:21
170:24	274:13	110:15	156:1	253:5 255:8	300:8 320:4
171:17,19	275:16,16	111:10	163:14	257:19	328:16
171:20	275:17	<b>slash</b> 116:4	238:11	260:15	<b>Southeast</b>
172:5,19,21	291:7	138:11,19	252:11,12	270:22	82:7
173:3,11	293:24	142:22	268:17	273:12	<b>spa</b> 178:24
244:3,7	294:15,23	143:11	325:18	276:13	179:1,2
252:2	295:3,13	146:4	335:11	281:2 297:4	329:11
334:25	296:8	156:13	<b>someday</b>	298:11	<b>space</b> 50:16
<b>signer</b> 137:20	297:12	229:25	149:19	301:1,24	58:16,17
<b>similar</b> 60:3	300:21	230:8	<b>son</b> 67:18	305:25	59:9,11,12
112:11	301:1	<b>slightly</b>	272:9	307:11	170:12,19
272:20	313:19	122:21	<b>sorry</b> 9:10	313:17,17	192:1 221:3
338:24	314:16,17	260:13	13:18,22	321:12,23	221:4,5
<b>simple</b> 88:25	317:16	<b>slip</b> 345:18	16:7 17:14	322:2,25,25	302:17,18
126:13,23	318:3,10,16	<b>slowy</b>	22:12,20	324:5,5,6	302:19
156:17	318:18,21	136:10	23:8 24:21	324:20	342:6,13,15
201:9 246:7	318:23	340:5	26:11,14	325:7,7	<b>spaced</b>
322:3	319:1,21	<b>slow</b> 25:8	27:14 35:16	329:4,4	329:13
<b>simply</b> 16:11	321:18,19	260:15	37:8 63:22	333:4 336:2	<b>spaces</b>
39:18	321:19	315:14	92:21,21	337:4	329:11
205:11	322:14,21	317:13	93:1 95:21	340:23	<b>span</b> 248:1
<b>Sincerely</b>	344:13	<b>small</b> 22:18	98:10 103:3	345:17	248:15
258:23	<b>sixteen</b>	346:4	103:11	<b>sort</b> 20:19	<b>speak</b> 10:3
<b>single</b> 137:22	267:12	<b>smaller</b>	105:19	29:9 52:25	<b>speaking</b>
155:11,13	<b>sixty</b> 59:13	217:23	108:9 112:6	99:13 106:7	17:10 43:15
178:21	90:14	<b>smart</b> 155:2	112:20	158:16	67:21 71:19
237:14,17	222:23	155:4 212:9	117:22	168:22	98:17 324:8
263:17	271:23,24	222:12	120:1,12	223:12	<b>speaks</b>
<b>sisters</b> 85:15	314:16	223:1 224:6	121:13	233:24	195:15
<b>sit</b> 211:6	326:11,20	262:3	127:21	239:19	<b>spec</b> 237:19
<b>site</b> 219:5	<b>sixty-eight</b>	<b>sneak</b> 149:17	143:7	288:20	<b>special</b>

191:20	182:5 183:6	<b>squeeze</b>	86:6 96:17	93:19	<b>structure</b>
<b>specific</b> 20:10	183:7,25	179:15	144:6	107:19	137:13
21:11 36:13	184:2,3,11	<b>Sr</b> 67:17,21	158:17	216:12	<b>structured</b>
41:9 53:8	193:11	<b>staff</b> 5:7,11	178:5 232:6	256:2	72:24
99:15	204:5,5	5:21 6:2	264:17	326:12	<b>stuck</b> 158:15
134:17	237:2	10:12 11:18	331:17	327:6,15,24	<b>studies</b> 61:21
136:11,12	239:10,13	16:5 17:17	344:17	328:23	<b>stuff</b> 84:22
187:16	269:11	19:6,7 41:2	<b>starting</b>	330:13	132:14
195:19	295:10	93:10 114:4	159:10	<b>stopped</b>	143:24
287:21	<b>Spicer</b> 68:13	153:24	298:18	81:24 82:1	147:15,15
293:6 316:5	68:16,22	180:25	336:3	89:7 98:13	189:15
330:6	69:15,19	227:19	<b>starts</b> 105:18	99:18,23	198:23
<b>specifically</b>	70:14,19	229:21	<b>starve</b> 87:16	255:1	203:20,21
36:22 37:20	82:14	231:19	<b>state</b> 6:15 7:4	<b>stops</b> 98:23	205:16
51:25 99:1	<b>split</b> 143:17	234:18	7:25 11:24	<b>stored</b> 190:11	212:2 220:5
128:24	143:25	235:4 250:6	17:21 258:3	192:20,23	223:19,23
129:24	335:18	256:13	<b>statement</b>	<b>stories</b>	230:17
139:21	336:10	334:6	22:25	287:14	263:22
148:22	<b>splitting</b>	<b>stage</b> 237:11	181:20	<b>story</b> 89:15	308:14
152:10	87:13 89:2	<b>stamp</b> 169:22	290:5,22,23	<b>straight</b> 83:7	325:3
202:17	<b>spoke</b> 66:10	196:12	339:13	<b>strange</b> 84:14	<b>subaccounts</b>
212:6	91:20,21	<b>stamped</b>	<b>statements</b>	84:14 98:19	335:19
225:12,14	170:7	184:16	344:6	<b>stranger</b>	<b>subject</b> 43:24
226:5	196:11	186:21	<b>States</b> 1:1	264:17	44:13 118:1
327:19	221:16	187:2	6:23 86:13	<b>strangers</b>	265:8
335:14	280:6	194:25	<b>status</b> 51:11	264:18	<b>sublet</b> 50:16
338:7	<b>spreadsheet</b>	218:15	81:16	<b>strategy</b>	<b>subpoena</b> 3:7
<b>specified</b>	121:17	238:21	<b>stay</b> 194:2	235:22	3:8,9,10,11
53:1	122:4,6	<b>stamps</b>	287:12	236:1	3:12 10:17
<b>specify</b>	189:22	291:12	317:7	<b>Straub</b> 29:25	10:24 11:2
160:19	197:14,22	295:17	<b>stayed</b> 83:22	30:12 33:7	13:11,20
<b>speculating</b>	197:24	<b>stands</b> 42:11	259:24	33:24 41:12	14:10,16,24
25:14	201:12	<b>star</b> 144:22	270:10	42:8 48:15	14:25 17:21
<b>speed</b> 17:6	269:17	145:17	<b>steal</b> 312:16	159:6 167:7	18:4 24:15
169:8	<b>spreadsheets</b>	149:21	<b>stealing</b>	200:18	24:21
<b>spell</b> 6:16,18	306:13	170:17,18	87:18	245:9	208:25
54:12	<b>Springer</b> 2:4	191:25	345:21	286:16	<b>subpoenaed</b>
<b>spelling</b> 22:9	24:14 25:12	222:19	<b>step</b> 73:2	290:12	11:23
22:12,19	45:3	223:13	<b>steps</b> 12:16	313:9	<b>subpoenas</b>
<b>spells</b> 106:7	<b>Springer's</b>	251:12	<b>stick</b> 158:16	318:11,13	11:7,16,19
<b>spend</b> 261:20	78:11	<b>start</b> 24:19	317:13	318:15	11:20 12:6
262:2	137:12	24:25 44:9	<b>Stohlman</b>	326:10	13:24 14:3
<b>spending</b>	<b>sprinklers</b>	125:20	215:23	327:19	15:16,25
84:20	329:14	192:11	<b>stole</b> 88:17	328:15	16:4,21
<b>spent</b> 99:10	<b>square</b> 91:2	222:22	90:5 329:22	333:6	17:2,3 18:8
99:13 139:9	221:6	239:17	<b>stolen</b> 90:5,9	<b>Straub's</b> 35:6	<b>subsequent</b>
149:14	222:21	270:19	345:24	286:7	54:3 97:9
171:13	224:11,12	285:17	<b>stood</b> 293:15	<b>street</b> 91:1	122:25
181:16	344:17	<b>started</b> 85:23	<b>stop</b> 81:20	104:2 272:7	182:10

341:20	<b>summaries</b>	15:11 17:7	343:4	142:1,7,17	121:21,22
<b>subsequently</b>	214:16	19:13 20:12	<b>surgery</b>	142:18	121:23,25
49:10 54:4	<b>summarize</b>	24:18 25:4	229:13	147:7	126:10,16
305:19	19:22	25:14 26:2	<b>surplus</b>	148:10,19	130:9 134:8
<b>subsidiary</b>	<b>supersedes</b>	28:22 30:10	304:16	150:9,20	134:11
59:25 60:11	327:17,18	47:11 49:12	<b>surprise</b>	179:25	135:17
60:12,16,19	331:8	58:20 61:3	111:24	184:15,20	144:14
<b>substantive</b>	<b>Supplement...</b>	61:7 64:2	142:4	195:7,17	152:1 263:5
5:22 10:11	7:7,12	65:6 66:12	276:18	208:20	284:23
41:1 93:9	<b>supplied</b>	66:15 74:17	<b>surprised</b>	219:10	286:3 302:1
114:3	128:21	93:2 98:8,8	102:9	231:10,11	<b>talked</b> 19:23
124:14	238:13	98:11,12	<b>surrounding</b>	234:12	52:1 70:3
153:23	292:11	113:6 118:5	26:16 28:9	252:2	93:13 99:4
180:24	<b>supply</b>	118:16	101:14	256:17	107:5
250:5	272:11	119:9	<b>Swanson</b>	279:21	108:15,15
256:12	<b>suppose</b> 92:2	123:15	263:20	282:24	108:20
334:5,7	143:3	127:1	<b>swear</b> 6:6,8	285:13	110:8
<b>subtract</b>	<b>supposed</b>	129:18	347:10	293:13	127:24
294:16	38:8 57:18	130:19	<b>Switzerland</b>	297:19	138:3 202:6
318:2	69:24 90:5	135:3,8,9	144:21	303:20	214:13
<b>subtracted</b>	113:10	141:20,21	<b>sworn</b> 6:14	306:12	228:10
294:17,21	116:24	144:13	<b>system</b>	314:7	235:5 236:5
294:24	117:14,15	151:17	210:22	317:13	240:1,18
295:1,2	121:5 125:8	152:5,5,6	<b>systems</b>	343:13	257:4
<b>successful</b>	134:23	154:14	36:21	<b>taken</b> 5:16	266:15
327:13	136:1,9,16	155:25		10:8 26:18	270:1,3
329:19	139:21	156:6	<b>T</b>	40:21 64:3	271:21
<b>successfully</b>	141:4	164:20	<b>T</b> 3:1,1 4:1,1	71:20 93:4	281:16
100:25	199:12	174:6	153:17	113:23	287:7
<b>sudden</b> 59:11	246:5	209:13	<b>table</b> 70:1	124:9	311:22
59:12 98:22	259:23	213:8,9	237:16	139:14	336:16
124:3	260:3	214:13	299:8	141:11	338:11
<b>sue</b> 293:12	272:22	215:3 225:5	<b>take</b> 11:20	148:13,14	<b>talking</b> 66:24
328:18	274:13	230:17,24	12:1 18:23	148:15,17	77:6 86:6
<b>sued</b> 91:14	288:4,17	232:21	26:5 41:16	153:16	87:12 93:18
<b>sufficient</b>	289:2,8,14	241:4,20	56:18 58:19	180:19	106:8 122:1
173:25	304:9	244:2,3	61:23 70:15	187:13,19	126:23
<b>suggest</b> 45:24	311:11	249:20,24	78:5,8	244:10	127:1
<b>suggesting</b>	313:9	253:20	81:22 87:24	246:15	130:22
72:24	315:11	255:22	88:21,25	250:1 256:7	136:23
<b>suit</b> 91:13	318:14	256:4	91:5 92:24	328:12	142:10
277:8	323:2,6	272:18	94:8,12	333:25	154:6
<b>suitcase</b>	324:9,11,14	275:18	98:1 113:13	338:9	181:23
156:1,2	324:22	277:5	119:17,18	<b>talk</b> 12:16	189:17
170:22	326:16,20	282:16	138:25	19:8,22	200:18
<b>Suite</b> 1:10	327:9	284:4 326:9	139:4,8,11	56:25 63:25	216:16
2:10,18 8:5	<b>supposedly</b>	331:10	140:14,18	64:7 67:15	230:25
<b>suits</b> 35:2	63:3	333:17	140:22	86:6 100:6	231:18
71:9	<b>sure</b> 10:4	335:1 341:2	141:24	101:13	232:20

259:9 265:5	196:8,25	17:17	<b>thick</b> 226:15	60:20 63:1	75:14 76:3
266:22	228:11	<b>tennis</b> 328:19	<b>thing</b> 27:20	83:3 85:3,4	76:15
273:6,18	229:1,14	<b>term</b> 303:4	36:13 51:16	98:21,23	200:13
277:10	238:8 241:8	<b>terms</b> 69:16	61:6 64:16	100:24	252:25
307:20,21	256:18	109:4	64:17 80:15	107:1	253:10
312:2 328:6	260:1	111:20	80:25 81:13	123:11	291:15
333:14,16	263:20	167:20	86:10 88:2	128:24	294:19
334:9	265:3	193:13	91:22 97:3	132:23,25	295:24
<b>talks</b> 126:7	282:25	<b>testified</b> 6:14	97:14	135:3	<b>thirtieth</b> 49:3
<b>task</b> 146:5	286:3	<b>testify</b> 18:14	109:25	136:20	<b>thirty</b> 49:3
<b>tax</b> 198:24	289:11	18:19	113:7	138:1	57:24 72:3
291:13	292:21	217:13	122:18	143:23	74:23 75:2
295:19	293:4 302:9	276:12	131:1	146:6	75:10 85:22
<b>TCO</b> 329:5	304:15	<b>testifying</b>	132:21	150:11	89:13
330:6	335:2	16:21,23	133:9 134:6	152:6	105:23,25
<b>TCO'ed</b>	336:16	<b>testimony</b>	134:22	154:13	194:15,16
329:2,10	338:6	16:9,10	144:11	156:11	194:20
<b>team</b> 88:15	<b>telling</b> 111:7	19:4,5,9	155:21	157:21,24	220:23
129:16	163:15	20:1 21:9	158:7 161:2	169:8	223:7 236:9
<b>technically</b>	165:1	233:5	167:10	189:15	263:15
323:17,19	187:18	296:12	179:7,21	190:6,8	294:6 303:3
324:7,14	314:25	<b>text</b> 81:19	186:11	211:1	303:6
<b>telephone</b> 8:2	333:18	<b>texting</b> 81:24	190:23	212:24	326:22
<b>tell</b> 6:8 18:25	<b>tells</b> 258:19	<b>texts</b> 79:16	193:17	224:4	342:16
19:18 20:8	<b>temporary</b>	<b>thank</b> 12:10	194:1	226:17	<b>thirty-eight</b>
24:25 30:3	329:6	12:11,12	201:17	227:14	306:25
30:10 37:19	<b>ten</b> 46:20	17:13 25:24	216:11	234:17	<b>thirty-five</b>
48:10 61:13	67:4 88:5	26:4 29:3	217:8,22	247:8	26:21 27:16
71:22 74:16	110:13	39:7 44:25	236:22	267:19	72:3 74:23
80:4,5	112:17,24	46:3 104:21	237:17	271:14	75:8,10
81:10 82:18	117:19	105:3	260:5,8,24	277:11	90:21 171:6
82:25 91:17	125:2 126:5	197:12	264:5	288:9 295:9	192:9,16
92:8 101:5	127:2,8,13	216:3	271:23	314:21	200:2 201:1
101:17	127:16	250:16	276:20	331:21	206:8
114:13	128:5	270:13	277:3	332:4 338:4	<b>thirty-four</b>
128:1,3	130:23	278:14,15	280:15	343:22	26:20 175:6
133:9	139:10	281:7,14	284:23	<b>thinking</b>	313:23
134:17	149:15	284:19	297:3	70:24 85:19	<b>thirty-nine</b>
140:7	157:15	311:13	306:18	178:3	110:8
143:22	166:12	316:16	311:5	182:13	114:21
151:19	167:3,9	336:6	328:20	231:21	115:2
156:16,24	199:14	340:23	335:21	262:22	188:10
163:18	214:22	346:15,16	345:9,12	279:4	<b>thirty-one</b>
169:7	240:4 311:2	<b>thankng</b>	<b>things</b> 12:8	<b>thinks</b> 122:25	26:13,14,15
173:13,14	312:8	280:1 283:2	17:7 20:2	339:25	26:22
181:2 182:1	344:11,21	<b>thanks</b> 37:8	35:8,15	340:1	122:14
189:11,14	<b>tender</b> 30:23	261:18	36:19 52:12	<b>third</b> 178:17	310:12
189:14	<b>tendered</b>	<b>theory</b> 88:18	52:13,15,22	190:23	336:21
195:10	11:18 16:5	88:19	55:13 59:8	<b>thirteen</b> 75:1	337:7,14

339:10	200:11,11	123:5,9,15	319:15	131:13	<b>TIMOTHY</b>
<b>thirty-seven</b>	201:24	123:23	322:10,21	142:16	2:6
179:23	216:11	124:22,22	328:7,8	147:6 148:4	<b>tirelessly</b>
182:23	236:17	126:3 128:4	331:5,6	151:19	52:8
<b>thirty-six</b>	241:15	130:25	335:18,23	152:7 153:6	<b>title</b> 43:24
28:9 75:18	244:1,13,19	139:9	341:17	156:2 159:5	58:11,16
123:1	245:4,7	149:14	344:21	166:17	59:1 60:21
181:16	247:15,16	159:23	<b>three-minute</b>	169:13	330:1
196:22	247:20	167:9	92:24	171:25	<b>titled</b> 195:1
291:4,14	257:2,18	170:11	<b>three-page</b>	174:23	247:24
293:23	259:4,7,15	176:13,13	190:25	178:4	<b>to/from</b>
294:15,18	259:19,25	179:6 189:4	220:25	181:20	132:17
294:23	260:1 261:2	189:6	<b>thrilled</b> 328:5	196:5 199:1	215:5,11
295:2,3,8	261:4 263:2	199:13	<b>ticket</b> 228:19	204:9	315:1
295:13,22	265:18	200:13	<b>tickets</b> 134:1	208:20	<b>today</b> 8:10
296:8	270:14	204:14,14	135:6	210:6,15	11:3 16:9
313:19	271:9,10	204:17	<b>tie</b> 193:9	211:2	16:10,14,25
317:15,16	272:15	206:7 213:8	<b>tied</b> 225:15	216:24	18:22 20:2
<b>thirty-three</b>	274:14,20	227:4,10	226:19	225:6,9	30:8 32:10
26:16 27:5	274:22	232:1,12	266:2	228:4	36:6 39:12
306:16	275:9,10,10	235:4	<b>till</b> 103:10	241:21	49:9 51:12
307:1,3	275:12,14	236:24	207:12	247:2	73:12
<b>thirty-two</b>	275:16,18	240:19,22	<b>Tim</b> 5:6,10	248:15,16	109:20
26:15 123:6	275:20	241:9	6:1 338:11	249:19	129:4,6
123:19	278:1,10,10	245:23	<b>time</b> 5:19	250:12,14	196:6 209:9
188:12,13	278:13,17	247:10,14	11:20 14:4	257:9 262:8	217:5,15
188:14,17	281:9	252:3,5,5	15:25 18:9	262:9 285:7	233:25
189:7	289:16	252:16	18:23 19:18	285:13	238:9,12
196:12,13	299:13	253:8 257:4	20:4 30:18	286:22	259:7 279:7
196:16	309:12	258:25	32:9,16	315:16	293:14
<b>thought</b> 15:2	310:11	260:18	33:5 35:17	331:17	309:24
15:3 34:21	321:25	262:11	35:24 36:3	332:4 335:5	312:9,12
48:20 60:15	<b>thousands</b>	263:7 264:8	37:11,12,15	335:8	327:19
60:22 70:21	12:21 81:19	264:11	38:13 39:4	341:25	328:1,3
71:7,10	137:7	265:10	50:14 53:13	343:19	332:24
73:9 83:24	237:14	266:4 270:6	55:2,6,8	<b>timeline</b>	338:11
84:12 85:21	<b>threatening</b>	275:15	57:4 67:20	331:20,23	343:19,23
91:16 92:2	71:9 79:15	277:11,25	75:7,21	<b>times</b> 83:23	344:1,6
94:16	<b>threats</b> 79:16	283:10,11	85:2 86:23	84:24	<b>told</b> 48:19
110:23	<b>three</b> 34:1	291:15	88:16,22	160:22	62:8,17
118:14	68:15 83:25	293:24,24	91:25 94:2	213:8,17	72:4 81:20
122:19	87:6 90:6	294:19	94:3,22,24	<b>timeshare</b>	86:16 87:10
125:6 127:3	90:21 92:13	295:23	98:5,20	97:6	87:21 88:13
130:3 158:7	96:1 107:5	302:4,5	99:2 101:6	<b>timeshare-t...</b>	89:20 91:22
161:7 170:2	108:15	310:9 312:2	107:5 109:2	97:3	91:23 115:7
170:2,23,24	111:9 117:5	312:8	111:17	<b>timing</b> 36:5	132:19
173:19,22	117:18	313:23	117:1	43:1 62:7	158:12
183:16	119:17,19	314:11,12	121:19	141:15	161:11
199:5	120:7 123:4	314:22	130:12,22	142:13	164:23

179:14	196:20	318:12	278:8	265:11	98:24
197:9 201:2	<b>total</b> 122:25	<b>trailers</b> 266:4	<b>trapped</b>	268:4 269:4	100:11,13
207:12	138:14	<b>transaction</b>	89:25	269:19	100:19,23
230:14	174:21	60:3 64:1	<b>travel</b> 207:24	300:5 304:3	100:24
239:15,16	186:21	72:24 78:10	<b>treat</b> 84:23	304:16,25	101:3
266:16	187:6,7	79:6 113:17	<b>trial</b> 187:3	305:1	102:14
270:5 271:6	189:7	152:8,10	188:20	319:24	104:19
277:8,8	190:11	209:25	189:11,16	320:10	114:15
278:20	192:19,23	285:12	196:11	334:16	115:10,15
286:20,21	198:13	286:10	197:3	344:18	121:3 122:7
289:10	200:8	289:7	238:10	<b>trusted</b> 61:22	124:21
292:23	218:19	<b>transactions</b>	<b>trick</b> 193:15	62:9 83:7	140:25
330:25	227:5	152:19,20	301:7	137:22	143:6
332:19	236:16,22	206:23	<b>tried</b> 30:23	178:9	145:22
333:16	237:1 273:1	209:22	54:7 65:8	<b>trustee</b> 241:1	156:21,24
335:1	277:23	210:3 212:6	101:2,2	<b>truth</b> 6:9,9,9	174:9,12
<b>Tom</b> 263:20	291:11,23	246:21	103:21	291:21	180:5
<b>tomorrow</b>	294:7,21	269:3,8	249:1,3,4	<b>truthful</b>	181:10
126:10,11	295:21	285:3	<b>true</b> 22:25	39:17	184:20
<b>ton</b> 223:20	321:3,4,17	318:23	37:24 57:17	<b>truthfully</b>	185:6,8,19
<b>tonight</b>	<b>totally</b> 61:22	<b>transcribes</b>	70:19 92:19	18:15,19	186:6 189:8
281:24	137:22	19:2	101:11	<b>try</b> 12:16	189:9,10
<b>tony</b> 71:18	178:9 181:9	<b>transcript</b>	133:2 136:5	19:11 23:25	198:16,18
75:25,25	<b>totals</b> 198:12	19:3 347:14	138:2	24:4 28:1	214:20
76:1,4	198:14	<b>transfer</b>	152:12	58:4 65:2	217:5
83:16 92:12	<b>touched</b> 52:1	37:13,22	160:18	68:5 81:14	229:15
119:9	279:22	72:17	181:20	110:10	248:22
122:13,25	<b>tough</b> 226:6	105:23	183:3	188:25	250:23
153:7 158:8	235:25	131:20	286:23	199:7	251:4
160:13,13	<b>town</b> 22:18	162:23,25	339:13	213:10	253:23
160:24	134:5	258:8	347:13	244:19,23	255:3,19
161:8 163:1	157:11,14	318:15	<b>true-up</b>	264:2	274:9 278:6
265:7,25,25	235:25	337:13,17	132:17	273:12	278:7
266:11,12	327:6,15	<b>transferred</b>	135:9,18	285:24	283:19
267:2,18	328:4,6	56:15 63:11	136:1,23	289:12	287:12,15
273:7	332:20	63:13,13	201:19	328:22	301:7
274:25	341:13,23	73:24 74:18	<b>trued</b> 136:8,9	331:22	305:14
304:13	344:14	74:19 101:6	138:1	<b>trying</b> 15:8	310:13
<b>Tony's</b> 119:8	346:5,5	162:24	<b>truly</b> 83:24	34:13 35:14	315:2 317:9
122:24	<b>trace</b> 159:24	245:12,24	<b>Trump</b> 28:19	36:12 53:24	324:20
<b>top</b> 89:18	<b>traced</b>	258:12	<b>Trump's</b>	54:23 55:13	339:20
100:12	159:25	300:11	28:14	58:2,19	342:9
116:16	<b>track</b> 228:7	301:4,16,19	<b>trust</b> 151:7	59:22 64:14	<b>tubs</b> 145:10
170:4 254:8	232:2,23	318:11,13	153:2 158:1	67:11,11	154:11
270:21	339:20	318:24	158:3	69:23 71:8	<b>Tuesday</b> 1:12
340:24	<b>tradesman</b>	320:7,9	159:21	78:16 79:3	347:6
<b>topic</b> 81:1	292:9	<b>transfers</b>	199:10	79:7 81:20	<b>tumbled</b>
<b>Toronto</b>	<b>trail</b> 72:19	268:3	245:24	90:16 91:17	85:23
186:7	283:9,24	<b>transparent</b>	264:6 265:9	94:15 98:1	344:16

<b>turn</b> 26:13 37:3 38:1 112:10 187:1 194:5 194:24 218:14 263:25 338:25,25	179:24 190:8 291:7 295:3,13 296:9 311:7 313:19 317:17 <b>twenty-four</b> 155:9	143:12,13 148:9 151:8 154:19 <b>typo</b> 294:5 <b>U</b> <b>U.S</b> 5:5 347:11 <b>UCC</b> 306:18 306:23 <b>Uh-huh</b> 95:19 251:7 317:20 <b>ultimate</b> 45:22 51:6 26:6,11 169:15 <b>ultimately</b> 31:15 33:23 35:4,25 41:21 51:7 70:16 94:21 111:21 <b>twenty-one</b> 196:24 313:22 314:4,24 317:19 327:21 333:9 <b>twenty-one</b> 76:8 89:4 <b>twenty-seven</b> 26:6,11 169:15 <b>ultimately</b> 31:15 33:23 35:4,25 41:21 51:7 70:16 94:21 111:21 <b>twenty-six</b> 285:4 <b>twenty-two</b> 34:16 141:21 182:4,5 183:7 239:6 <b>twice</b> 120:21 217:7 242:19 317:12 338:9 <b>two-year</b> 332:13,14 332:18 <b>TWTROY...</b> 263:22 <b>type</b> 46:10 218:1 219:16 338:24 <b>typed</b> 112:1 <b>typically</b> 138:25 139:4 142:23	44:23 45:19 97:12 98:25 122:8 124:22 126:13 127:23 129:5 143:6 145:5,22 150:4 156:9 156:15 181:11 189:9 196:9 196:18,23 199:16 200:22 201:8,9 218:6 219:14 226:24 227:9 260:6 260:13,17 260:18 273:2 274:4 282:7 285:11,16 297:11 304:2 318:10 319:1 321:15 <b>UMass</b> 26:24 <b>unable</b> 18:18 <b>unbelievable</b> 79:16 <b>uncertain</b> 20:18 <b>unclear</b> 285:15 <b>underground</b> 145:13 <b>underneath</b> 337:23 345:1 <b>undersigned</b> 347:10 <b>understand</b> 19:10,16,24 20:22 21:4 21:11 44:21	308:15 <b>United</b> 1:1 6:23 86:13 <b>units</b> 89:1 96:1,18 126:13 127:23 129:5 143:6 145:5,22 150:4 156:9 156:15 181:11 189:9 196:9 196:18,23 199:16 200:22 201:8,9 218:6 219:14 226:24 227:9 260:6 260:13,17 260:18 273:2 274:4 282:7 285:11,16 297:11 304:2 318:10 319:1 321:15 <b>UMass</b> 26:24 <b>unable</b> 18:18 <b>unbelievable</b> 79:16 <b>uncertain</b> 20:18 <b>unclear</b> 285:15 <b>underground</b> 145:13 <b>underneath</b> 337:23 345:1 <b>undersigned</b> 347:10 <b>understand</b> 19:10,16,24 20:22 21:4 21:11 44:21	234:17 <b>V</b> V 3:4 22:16 <b>V-I-E-R-S</b> 6:20 22:10 <b>V-I-R-E-S</b> 22:11 <b>vague</b> 20:13 20:18 <b>valid</b> 40:15 41:6 80:17 <b>Valuation</b> 220:14 <b>value</b> 108:16 108:22 114:16 116:22 117:5,10 119:17 236:12,23 312:16 <b>values</b> 108:17 <b>variance</b> 342:17 <b>variances</b> 59:14 155:10 342:11,12 344:12 <b>various</b> 28:5 28:6 265:22 342:11 <b>veers</b> 6:17 <b>Vegas</b> 100:20 <b>vendor</b> 213:14 <b>vendors</b> 213:18 <b>Venegas</b> 222:1,2,3,4 <b>Ventures</b> 24:12,13 42:12 44:11 44:19 45:4 45:8,11,13 <b>verbal</b> 124:18 <b>verbally</b> 19:14 62:18
--	---	--	---	---	--

69:14	93:18 97:10	191:20	265:1 295:7	260:3	338:5 343:3
<b>verify</b> 220:22	97:21 98:5	192:20	311:16	263:22	345:2 346:2
<b>version</b>	101:14	195:17,22	335:7 346:8	286:21	<b>ways</b> 137:10
216:23	105:9 118:8	205:16	<b>wants</b> 217:11	290:8,10	233:20
289:23	153:7 159:9	208:19	217:13	294:17,20	313:5 340:7
<b>versus</b> 54:19	163:1	217:10	<b>warehouse</b>	307:16,17	<b>we'll</b> 18:22
83:1,3	174:22	230:1	64:13	312:10,14	29:9 30:8
215:1	240:19	241:21	<b>wash</b> 201:4	324:5,6	56:25 57:1
<b>victim</b> 345:20	244:5	257:9	306:17	327:13,14	63:25 64:1
<b>Viers</b> 1:7	258:11,17	276:12	307:2 313:8	335:8	85:14
6:12 347:4	268:7,24	281:11	<b>washed</b>	344:18	109:23
<b>violations</b> 7:1	269:12,17	284:23	308:17	<b>waste</b> 241:21	130:6 147:3
7:3	269:23	285:1,11,15	<b>washer</b>	<b>water</b> 18:25	147:9
<b>voicemail</b>	271:1	286:25	154:23	51:16 93:1	159:18
126:9,12	272:21	287:1	156:19	<b>watercraft</b>	165:9
<b>vulgar</b> 192:5	273:1 280:5	293:14	<b>wasn't</b> 33:20	209:12	206:14
<b>W</b>	302:4,18	300:10	33:24 35:9	<b>way</b> 39:19	213:6
<b>wait</b> 62:1	330:16,22	313:6	55:23 61:24	48:22 72:6	216:12
200:12	334:14	328:10	80:17 84:22	72:21,25	291:1,2
<b>waivers</b> 9:15	<b>Walsh's</b>	338:17	85:18 92:19	91:16	301:5
<b>walk</b> 94:23	70:17	342:9 343:5	95:12 99:3	102:18	321:13
104:24	113:17	343:7,20	120:21	105:14	<b>we're</b> 5:3,17
105:6	160:1	344:1,4	129:18	107:14	6:4 8:5 64:2
155:13,15	242:10	345:5,14,18	131:6,19	137:5	66:24 85:16
<b>walked</b> 89:17	268:2,5	<b>wanted</b> 17:7	136:9 137:9	143:17,21	87:17,19,23
325:18	272:11	26:7 35:21	137:21	143:25	89:23,24,25
<b>walkway</b>	<b>want</b> 16:24	48:21 61:18	141:12	147:1,2	115:15,15
170:19	18:23 19:20	62:19 85:20	144:25	148:1,5	124:21
<b>wallet</b> 22:15	24:4 39:11	94:11 99:1	146:23	149:3 151:9	138:6,7,7
<b>Wallingford</b>	59:15 60:9	99:21	154:15,17	152:3	142:9
64:9,15,19	60:9 67:17	102:25	156:23	158:18	144:14
64:24 65:5	72:17 80:25	103:3 104:1	161:19	164:25	153:19
91:1	86:4 94:8	104:15	165:25	165:22	176:11
<b>walls</b> 329:14	97:11 100:6	110:13,22	166:16	171:15	178:9 180:4
<b>Walsh</b> 42:18	104:24	120:20	172:5	172:1 174:8	180:20
43:16 44:6	113:13,15	121:2,21,25	178:14	178:11	189:8
44:7,10	117:20,23	143:21	187:17	188:14	194:24
45:2,13	118:5	147:12	188:17	190:5 192:8	231:17
57:21 59:17	122:17,18	148:15	189:10	212:24	256:8 265:5
61:9 67:16	129:6 130:9	149:3 154:1	196:14	213:1 218:8	273:18
67:17,17,18	134:10,21	154:4,14	202:1 205:3	218:10	277:3 312:1
67:20,21,23	141:1 143:2	156:6,20	223:17	236:6	322:18
68:10,17	146:11,22	160:20	224:5	245:20,25	327:1,6
69:25 70:15	155:19,19	199:6,7,16	225:13	253:18	341:25
70:17 71:18	157:15	216:9	226:7,11,11	257:1	342:4 344:2
73:20 82:8	170:16	246:10	233:2,6	261:19	342:4 344:2
82:14,16	174:7	255:22	236:21	307:20	<b>we've</b> 9:13
83:1,3 85:4	188:24	264:24	244:1	323:9	19:22
			249:13	324:17	319:16

343:23	179:21,23	53:17 242:4	<b>women</b> 84:23	239:16	190:17
<b>wealthy</b>	180:3,4	242:25	84:24	289:8	341:14
247:9	189:13	<b>Whey</b> 335:4	<b>won</b> 87:1	296:24	<b>worry</b> 278:23
<b>web</b> 220:3	199:1,23	<b>white</b> 329:13	<b>wonder</b>	302:25	<b>worse</b> 285:22
<b>website</b> 62:16	200:18,25	<b>whosey</b>	85:21	312:15	<b>worst</b> 345:23
220:4	202:11	191:20	<b>wondering</b>	313:15,15	<b>worth</b> 79:2
228:19	203:14	<b>wife</b> 9:12	169:18	324:19	104:17
<b>week</b> 88:2	207:25	24:11 28:6	266:16	327:14	185:18
92:18	210:25	34:2 48:13	274:14	343:13	193:21
174:10	212:16	50:11 53:5	<b>word</b> 41:16	346:7	264:25
197:24,25	213:7	53:25 65:22	105:17	<b>worked</b> 52:7	308:14
232:8	220:23	66:1,2	270:9	54:8 82:25	312:18
<b>weekly</b>	223:5	74:25 75:12	<b>words</b> 20:16	91:18	<b>would've</b>
255:11	230:23	76:7 84:23	128:2	104:16,17	55:22 56:20
<b>weeks</b> 277:11	235:11	89:10,11	223:23	104:17	56:21 63:20
279:5	239:1	103:8 134:2	261:2	131:6 151:9	95:8 97:17
303:16	244:11,19	214:5	329:13	166:7,25	97:18 137:9
<b>Weiss</b> 268:8	248:23	235:14	<b>work</b> 53:13	167:11,11	148:20
268:19	249:2,3	<b>wife's</b> 49:22	53:20 54:2	186:17	150:11
<b>welcome</b>	267:20	50:1,5	54:17,19	202:14	205:19
250:17	270:1	57:11	55:3,10,12	222:13	212:25
<b>Wells</b> 310:20	271:24	213:24	55:13,19	225:6,8	213:1 214:3
310:22,23	285:4	<b>Wikipedia</b>	62:6 83:3	226:2,3,4,9	214:5,8
310:24	292:22	328:15	86:2,2,8,20	226:20	219:6
311:6,8	295:6	<b>win</b> 293:13	95:16	227:6 228:4	227:24
<b>went</b> 12:16	300:14	332:25	130:23	228:5,6,6	236:14
12:18,19,25	319:23	<b>window</b> 95:8	139:9 155:5	229:3,4	240:12,12
13:2 15:10	321:2 327:4	<b>wing</b> 145:12	166:24	235:6,10,11	240:15
48:17 49:1	329:23	145:12	168:25	287:15	262:6 271:8
51:7 56:11	331:22,24	<b>Winnebagos</b>	170:14	329:1	299:13
59:2 69:19	332:13	84:21	173:10,18	344:22,23	322:9,15,20
72:20 73:22	<b>weren't</b>	<b>wire</b> 77:15,16	174:1 176:6	<b>working</b> 54:1	322:22
76:20 86:14	37:19,20	105:23	177:1,10,22	54:20,22	325:16
87:17 88:10	63:13 135:3	258:11,11	178:5,20	86:10 94:20	332:21
89:6,9,9,10	138:1 160:5	298:22	179:3,6,7	131:9 134:4	<b>wouldn't</b>
89:12,16	160:7 206:3	<b>wired</b> 75:19	190:15	142:9,16	58:10 61:11
91:9,22	206:5 225:4	76:11	191:2,22	167:8 169:9	61:16 62:1
93:17 96:5	287:6,8	122:14	192:17	169:11	71:9 78:15
98:5 109:17	<b>West</b> 2:19	283:12,24	193:21	176:19	78:17 121:3
133:15	8:6	297:22	210:8	218:22	159:3,6
134:1,6,24	<b>Weston</b> 48:7	299:1,2,16	214:11	239:17	170:21
135:3 136:7	48:14 68:13	299:18	217:7	296:22	196:25
137:5,10,25	68:22 69:14	<b>wires</b> 122:25	219:16	297:5 312:7	209:25
149:16	83:5	<b>wish</b> 343:25	222:17	329:16	246:9
150:6 155:2	<b>whatsoever</b>	<b>withheld</b>	223:18,20	<b>works</b> 246:12	263:24
161:2,17	20:17 21:1	13:10 17:25	226:13,17	<b>world</b> 87:2	267:24
162:6,18,19	<b>When's</b>	<b>woman</b> 87:1	232:10	129:4,5	275:24
164:1,3	273:17	<b>woman's</b>	234:12	143:5 145:3	289:9 338:8
165:11	<b>where'd</b>	192:3	237:19	145:5	<b>wow</b> 85:19

101:24	<b>year</b> 26:24	188:4	<b>10/23/13</b>	136 298:8	69:5
<b>wrap</b> 151:16	62:17 67:24	212:18	248:1	<b>139</b> 303:20	<b>152</b> 3:17 74:3
<b>Wright</b>	91:23	218:21	250:13	<b>13th</b> 15:16	74:4,11
219:19	101:25	298:8	<b>10/23/2014</b>	79:22	<b>153</b> 3:18
221:15,19	130:23	334:14	121:9	105:10	76:21,22
221:20	132:18		<b>10/25/2014</b>	118:18	77:1
<b>write</b> 334:20	135:25		38:2 189:22	119:15	<b>154</b> 3:19
334:22,23	136:17	<b>zero</b> 110:16	<b>10:58</b> 93:6	343:24	79:23,24
<b>writing</b> 71:13	146:13	218:20	<b>101</b> 277:1	<b>143</b> 3:10 37:16	80:3
82:4 84:2	171:23	293:24	<b>10th</b> 68:24	49:13 210:8	<b>155</b> 3:20 81:5
224:3	183:14,21	294:6,7,15	119:14	216:20	81:9
248:13	184:1,4	294:15,15	258:1,2	282:4	<b>156</b> 3:21
251:14,16	223:7	<b>zone</b> 342:3	<b>11</b> 3:8,9	<b>142</b> 3:7 10:18	125:15,16
252:10	242:16,17		208:15	10:19 11:1	125:20
267:10	<b>year's</b> 248:16	<b>0</b>	<b>11/10/14</b>	<b>143</b> 3:8 11:9	<b>157</b> 3:22
323:8	<b>years</b> 26:23	<b>06</b> 149:14	248:2	11:10,15	168:16,17
<b>written</b> 52:25	28:22 46:20	167:2	335:21	13:24	168:21
82:10	49:11 64:23	341:22	<b>11/20/12</b> 3:15	<b>144</b> 3:9 11:9	<b>158</b> 3:23
105:12	67:4,25	344:10	<b>11/25/12</b> 3:21	11:10,15	180:10,11
217:11	79:15 85:23	<b>07</b> 312:11	<b>11/25/2012</b>	13:24	180:15,15
323:3,4	100:10	<b>08</b> 33:25	125:13	<b>145</b> 3:10	<b>159</b> 3:24
<b>wrong</b> 97:9	124:5	48:12 91:12	<b>11/29</b> 252:1	14:17,18,22	197:16,17
105:10	130:23,24	206:8	<b>11/29/13</b>	<b>146</b> 3:11	197:21
106:10	130:25	220:21	251:21,21	15:18,19,24	199:19
132:25	139:2,10	241:1	<b>11/4/2012</b>	16:6 17:15	<b>15th</b> 79:23
174:8	149:15	287:13	112:4,7	17:18	159:23
185:17	157:15,16	<b>09</b> 91:12	<b>11:26</b> 113:25	<b>147</b> 3:12	297:25
228:19	164:15		<b>115</b> 205:7,8	15:18,19,24	300:4
239:8 286:5	166:12	<b>1</b> 1:8 7:13,15	205:12	16:6 17:15	<b>16</b> 49:13
290:9,11	167:9	7:19	<b>11th</b> 102:3	17:18	<b>160</b> 3:25 8:16
318:17	199:13	<b>1&amp;1</b> 213:16	<b>12</b> 250:21	<b>148</b> 3:13	25:5,6 29:8
331:25	215:14	213:21,21	257:19	21:16,17,21	29:22 30:1
<b>wrote</b> 52:16	229:6,9,11	213:22	<b>12/24/2013</b>	<b>149</b> 3:14 25:3	30:13 33:4
143:20,22	293:13	<b>1/1/13</b> 189:4	280:21	29:11,14,18	33:10,12,14
167:2	312:8	<b>1/31/14</b>	<b>12/31/12</b>	185:1	33:17,23
285:19	344:21	192:12,13	189:5	224:18	35:7 56:23
294:6	345:3	193:11	<b>12:07</b> 153:15	337:25	60:4,5
	<b>York</b> 34:20	<b>1/7/2013</b>	<b>12:49</b> 153:20	340:3	131:14,21
	34:22 54:11	34:22 54:11	<b>122</b> 96:9	<b>14th</b> 11:8	132:8
X 191:17	54:11 220:2	71:16 72:10	<b>123</b> 96:9	15:17 24:22	133:11
304:5	223:6	<b>1/7/2015</b> 40:2	<b>125</b> 3:21	37:17 42:18	134:21
<b>X-amount</b>	<b>younger</b>	<b>1/8/13</b> 3:17	<b>12th</b> 10:17,24	159:22	135:3,8
120:19	85:12	<b>1/8/14</b> 172:18	14:16	160:2 332:2	149:2 150:7
160:21,23	<b>Yu</b> 77:2	<b>1/8/2013</b> 74:2	<b>13</b> 210:8	<b>153</b> 3:11,12	150:18
168:2 233:1	79:19	<b>10</b> 3:4,7	238:7	49:12 210:8	151:5,20
341:25	114:10	<b>10/2</b> 273:24	257:19,20	<b>150</b> 3:15	152:8 158:9
	130:14	<b>10/2/14</b>	<b>133</b> 338:23	42:19,20,24	160:8,13,23
	151:16	122:24	<b>135</b> 287:18	<b>151</b> 3:16	161:3,18,25
<b>Y</b> 191:17	187:10	<b>10/23</b> 117:25	288:7	68:25 69:1	162:2,3,4
304:6					

162:14,17	<b>197</b> 3:24	79:22,23	298:23	<b>42</b> 3:15	306:10
162:19,20	<b>19th</b> 31:12	95:5,6,17	300:10	<b>4267</b> 194:25	<hr/> 7
162:20	<b>1st</b> 23:6	97:10	320:16	<b>4276</b> 187:2	<hr/> 7 334:13
171:12	182:18	118:18	<b>272</b> 185:24	<b>45</b> 336:8	<hr/> 7/13 4:5
175:3	<hr/> <b>2</b>	121:15	<b>279</b> 4:4	<b>4592</b> 336:3	<hr/> 7/26/13 269:2
193:22	<hr/> <b>2</b>	169:13	<b>282</b> 4:5	<b>4599</b> 238:16	<hr/> 718 64:8
201:3 206:3	<b>2/12/15</b> 3:10	172:5,12	<b>285</b> 4:6	239:5	<hr/> 743:17
206:17	<b>2/24/15</b> 3:8	180:8	<b>29</b> 3:14	<b>4600</b> 238:21	<hr/> 7506 171:9
207:1,15	<b>2/3/14</b> 252:24	183:14	<b>29th</b> 251:22	<b>467-9200</b>	<hr/> 7550 254:8
209:11,15	<b>20</b> 289:22,24	184:6 187:4	<hr/> <b>3</b>	1:25	<hr/> 7552 253:9
212:11	<b>2007</b> 341:11	187:15,20	<b>3/28/14</b> 254:2	<b>472-2970</b>	254:18
215:1	<b>2012</b> 23:6,19	231:3 255:6	2:20 8:7	<hr/> 763:18	
216:25	28:1,22	270:20	<b>300</b> 2:18 8:6	<b>4756</b> 184:16	<hr/> 7770:11
225:15	42:16 68:22	<b>2015</b> 11:7,8	<b>305</b> 2:12	186:21	<hr/> 78100:4
248:3,5,9	68:24	14:16 15:16	<b>30th</b> 29:25	<b>4th</b> 101:19	<hr/> 793:19 101:5
257:9 262:9	105:11	15:17	68:21	320:17	<hr/> 7918 217:2
284:18	125:21	262:10,12	150:19	<hr/> <b>5</b>	102:3
290:13	169:12	297:24,25	183:18,19	<hr/> <b>8</b>	
298:2	174:23	<b>2016</b> 10:17	183:20	<b>5</b> 114:7 127:7	
305:18	182:4 183:4	10:24	299:9	273:13	
335:15	210:7,15	101:20,22	300:12,17	277:22	
336:22	241:24	101:23	<b>31</b> 1:12	292:5	<hr/> 8/14 3:18
337:8 339:9	242:10,17	102:3	212:11	<b>5.5</b> 292:4,6	<hr/> 8/14/2014
340:17	331:22	<b>2017</b> 1:12 5:3	250:20	293:1	37:5
<b>160's</b> 132:16	332:1	93:6 113:25	347:6	<b>5/13/15</b> 3:20	<hr/> 8/15/2013
206:21	<b>2013</b> 29:25	153:20	<b>31st</b> 5:3 93:6	<b>5/13/2015</b>	319:24
207:23	30:12 82:5	343:24	113:25	<hr/> <b>8/26/13</b>	
228:14	95:1,2	346:18	153:20	81:2	
<b>161</b> 4:4	147:7	347:6	<b>31</b> 1:12	<b>5/15/2013</b>	252:15
279:14,17	150:19	<b>202</b> 1:25	181:15	261:16	<hr/> 8/30/12 3:16
279:21	159:20,23	<b>20th</b> 31:18,24	346:18	<b>5/23/14</b> 339:2	<hr/> 8/31/13 189:4
281:6	169:18	42:16 43:6	<b>33131</b> 1:11	<b>505</b> 2:17 8:5	250:21
<b>162</b> 4:5	171:23	<b>21</b> 3:13	2:11 347:7	<b>51</b> 218:15	<hr/> 8/31/2013
282:18,19	182:18	<b>21st</b> 32:3	<b>33401</b> 2:19	<b>561</b> 2:20 8:6	200:4
282:23	183:11,20	39:2 121:12	<b>34276</b> 196:12	<b>577</b> 340:21	<hr/> 80 104:24
<b>163</b> 4:6 285:2	232:10	<b>22</b> 9:18 49:18	<b>348</b> 1:8	<b>5797</b> 251:6	112:7
285:5,10	246:20	51:3,11	<b>38399</b> 169:24	<b>5th</b> 187:3,15	<hr/> 801 1:10 2:10
<b>1662</b> 7:12,16	270:19	56:6 133:16	<hr/> <b>4</b>	187:19	<hr/> 81 3:20
<b>168</b> 3:22	282:14	137:6	<hr/> <b>4/13/15</b> 3:11	<hr/> <b>6</b>	<hr/> 83 243:9
17 265:6	291:8	<b>22's</b> 56:15	<hr/> <b>4/14/15</b> 3:9	<hr/> <b>6/10/14</b>	<hr/> 84 256:17
<b>1719</b> 3:24	298:23	<b>2254</b> 190:19	3:12	122:13	<hr/> 85 261:15
197:16	299:9 300:4	<b>22545</b> 190:3	<b>4/15</b> 257:15	<b>6/17/14</b> 115:1	<hr/> 8th 169:13
<b>18</b> 268:22	300:10,12	<b>22nd</b> 171:22	<b>4/15/2003</b>	<b>6096</b> 268:2	172:12
282:5,7	320:17	<b>23rd</b> 121:15	307:6	<b>6103</b> 252:6	<hr/> 173:1 200:7
284:8,14	332:2	<b>248</b> 3:25	<b>4/15/2013</b>	<b>66000</b> 218:17	291:8
<b>180</b> 3:23	334:11	<b>24th</b> 11:7	257:17	<b>6670</b> 188:9	<hr/> 295:11
<b>1800</b> 1:10	<b>2014</b> 31:12	<b>25th</b> 39:3	<b>4/25/14</b>	<b>66700</b> 219:12	<hr/> <b>9</b>
2:10	32:3 37:17	<b>26th</b> 85:9	340:21	<b>66765</b> 240:4	<hr/> <b>9 185:12</b>
<b>183</b> 243:6,8	42:18 76:19	125:21	<b>4:26</b> 346:18	<b>69</b> 3:16	<hr/> <b>9/1/13</b> 173:5
			346:19	<b>6th</b> 90:12	<hr/> <b>9/10</b> 185:14

<p><b>9/12/16</b> 3:7 <b>9/13/14</b> 3:19 <b>9/13/2014</b> 79:18 <b>9/14</b> 3:23 <b>9/24/2014</b> 185:10,13 <b>9/25</b> 195:3 <b>9/25/2014</b> 195:4 <b>9/26/2013</b> 320:4 <b>9/3</b> 301:15 <b>9/3/13</b> 336:11 339:9 <b>9/3/2013</b> 320:7,9 <b>9/6/2013</b> 306:7 <b>9:12</b> 1:15 5:3 280:21 <b>9:30</b> 343:24 <b>91</b> 336:8 <b>982-6300</b> 2:12 <b>9th</b> 183:14</p>				
---	--	--	--	--